

COMMONWEALTH OF VIRGINIA CONSOLIDATED PLAN ACTION PLAN

2006
(State FY 2007)

May 15, 2006



**Department of Housing and
Community Development**

**The Jackson Center
501 N. 2nd Street
Richmond, VA 23219**

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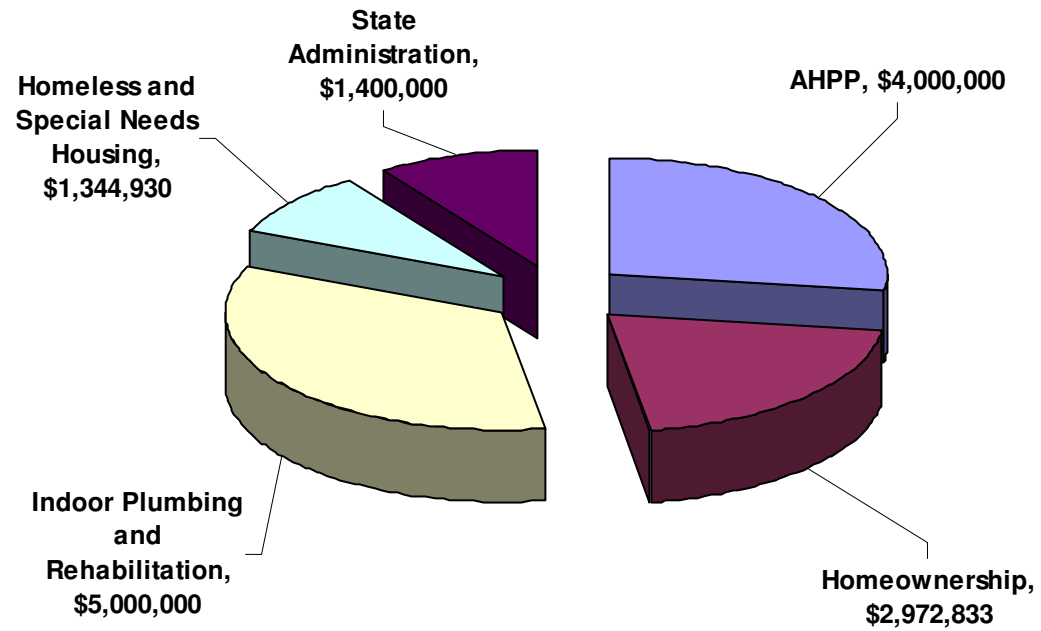
Summary of Proposed Action Plan Objectives and Outcomes for State FY 2007 (Federal FY 2006)

HOME Program

HOME Allocation	HUD Objective/ Outcome	Outcome Statement and Indicators w/ Affordable Housing Goals	Allocated Amount	Program Income	Program Maximum/ Minimum
Affordable Housing Preservation & Production	<u>Objective 2</u> Decent Affordable Housing <u>Outcome 2</u> Affordability	Affordability for the purpose of providing Decent Affordable Housing in the form of 250 Units for Households at or below 60% of AMI	\$4,000,000	Program income returned to DHCD will be reallocated to HOME-eligible activities	Up to \$500,000 per project based on HUD program guidelines
Indoor Plumbing Program	<u>Objective 2</u> Decent Affordable Housing <u>Outcome 3</u> Sustainability	Sustainability for the purposes of providing Decent Affordable Housing in the form of 100 Units of housing for Households at or Below 80% of AMI	\$5,000,000	Program income will be revolved at the local level and will be reallocated to HOME-eligible activities	Allocation formula based on population, per capita income, households lacking plumbing and overcrowding
HOME Ownership Program	<u>Objective 2</u> Decent Affordable Housing <u>Outcome 2</u> Affordability	Affordability for the purpose of providing Decent Affordable Housing for 200 New First-Time Homeowners at or below 80% of AMI	\$2,500,000 plus program income estimated at \$300,000	Program income will be revolved at the state/local level and will be reallocated to HOME-eligible activities	Allocations formula based on prior use and market conditions
Homeless and Special Needs Housing	<u>Objective 1</u> Suitable Living Environment <u>Outcome 1</u> Availability/ Accessibility	Accessibility/Affordability for the purpose of creating Suitable Living Environments for 75 formerly homeless or special needs households	\$ 1,344,930	NA	Up to \$500,000 per project except HOME Match generally up to \$200,000 per project.
Administration	N/A		\$1,400,000		
Total Allocation			\$14,244,930	\$300,000	
American Dream Downpayment Initiative	<u>Objective 2</u> Decent Affordable Housing <u>Outcome 2</u> Affordability	Affordability for the purpose of providing Decent Affordable Housing for 28 New First-Time Homeowners at or below 80% of AMI	\$274,384	Program income will be revolved at the state/local level and real-located to HOME-eligible activities	Allocations formula based on prior use and market conditions

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2006 HOME Program Allocations



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Emergency Shelter Grant (ESG) Program

Program	HUD Objective/ Outcome	Outcome Statement and Indicators w/ Affordable Housing Goals	Allocated Amount	Program Maximum/ Minimum	Additional Affordable Housing Goals
Shelter Operations	Objective 1 Suitable Living Environment Outcome 1 Availability/Accessibility	Accessibility/Affordability for the purpose of creating Suitable Living Environments through leveraging state funds and providing over 2,000 beds for homeless households.	\$1,492,840	Non-competitive allocation on a per bed basis.	<ul style="list-style-type: none"> 60% of homeless households in transitional housing will exit to permanent housing 10% of households exiting shelter programs will have employment
Administration			\$ 78,570		
Total HUD Allocation			\$1,571,410		

HOPWA Program

Program	HUD Objective/ Outcome	Outcome Statement and Indicators w/ Affordable Housing Goals	Allocated Amount	Program Maximum/ Minimum	Recaptured or Unused Funds
Housing and Supportive Services	Objective 1 Suitable Living Environment Outcome 1 Availability/Accessibility	Accessibility/Affordability for the purpose of creating Suitable Living Environments and providing support services to over 200 individuals and families and rental assistance to 75 individuals and families	\$ 556,200	Competitive allocation based on proposals submitted and identified needs.	Funds not used during grant year will be carried over to next year's funding or reallocated to current recipients for housing, services or special projects
Administration 10% of Grant			See Below		
Subrecipients			\$43,260	7% of award	
DHCD			\$18,540	3% of award	
TOTAL GRANT			\$ 618,000		

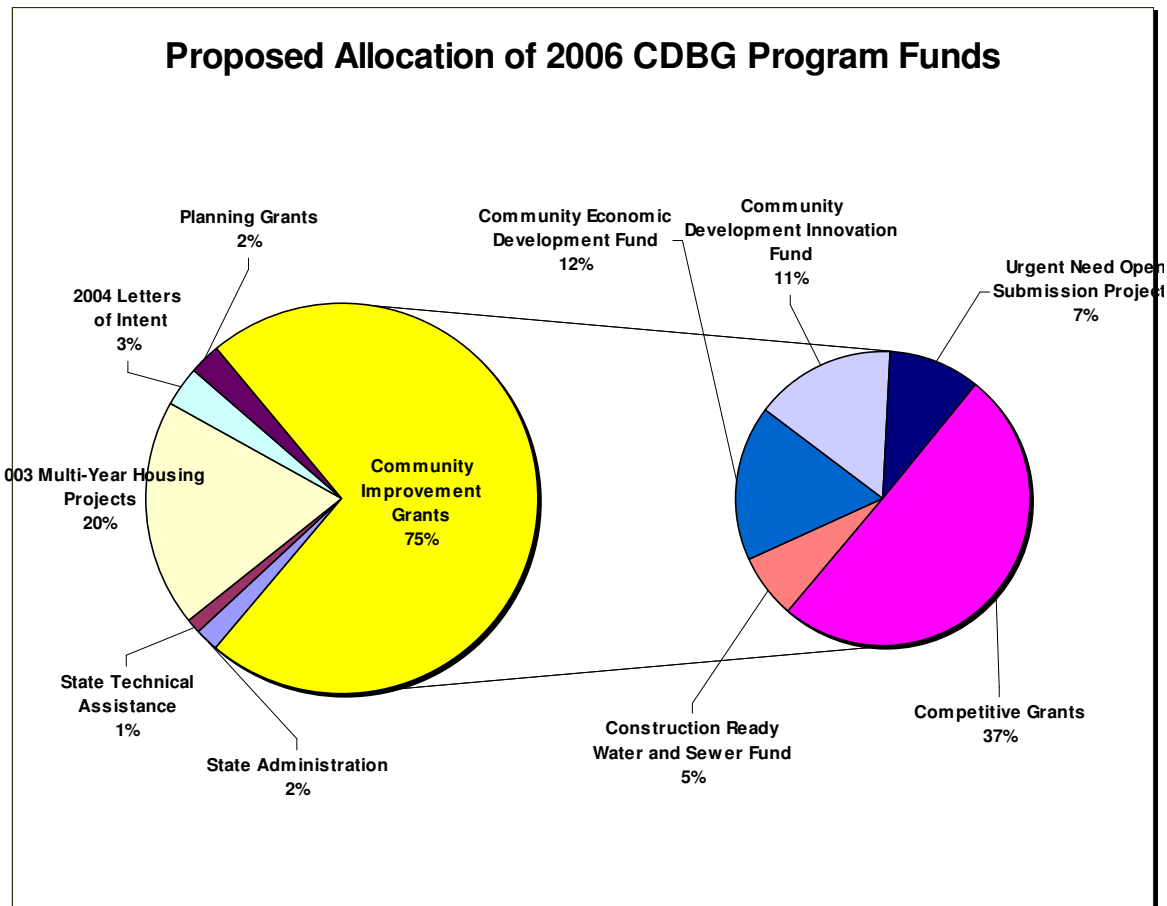
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Community Development Block Grants (CDBG)

Program Activity Area	HUD Objective / Outcome	Outcome Statement and Indicators
Public Facilities	Objective Creating/Enhancing Suitable Living Environment Outcome Availability/Accessibility (1,1)	Estimated 2,100 persons with access to new or improved water/sewer services
Public Service Facilities	Objective Creating/Enhancing Suitable Living Environment Outcomes Availability/Accessibility Affordability (2,1) and (2,2)	Estimated 1,650 clients will have access to affordable health care*
Housing Production	Objective Creating Decent Affordable Housing Outcomes Availability/Accessibility Affordability (1,2) and (2,2)	Estimated 48 households will have access to new, affordable rental units
Slums and Blight Prevention	Objective Creating/Enhancing Suitable Living Environment Outcome Sustainability (3,1)	Estimated 95 commercial facades will be improved
Housing Rehabilitation	Objective Creating Decent Affordable Housing Outcome Sustainability (3,2)	Estimated 250 households will have decent, affordable housing through housing rehabilitation
Home Ownership	Objective Creating Decent Affordable Housing Outcome Affordability (2,2)	Estimated 15 households will receive down payment and other assistance for affordable housing homeownership
Economic Development	Objective Creating Economic Opportunities Outcome Availability/Accessibility Affordability (1,3) and (2,3)	Estimated 20 downtown businesses will have access to affordable capital to create/expand businesses

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Program Activity Area	HUD Objective / Outcome	Outcome Statement and Indicators
Economic Development	Objective Creating Economic Opportunities Outcome Availability/Accessibility (1,3)	Estimated 75 persons will have improved access to new jobs through workforce training
Economic Development	Objective Creating Economic Opportunities Outcome Sustainability (3,3)	Estimated 400 persons will have access to new jobs through provision of water/sewer to businesses



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The new Outcome Performance Measurement System for Community Planning and Development formula grant programs requires the assignment of all activities to one of three *objective* categories and then to one of three *outcome* categories. The objectives include: **(1) Suitable Living Environment**, **(2) Decent Housing**, and **(3) Creating Economic Opportunities**. The outcome categories include: **(1) Availability/Accessibility**, **(2) Affordability**, and **(3) Sustainability; Promoting Livable or Viable Communities**. The combination of objectives and outcome categories results in the following matrix of *nine* possible outcome statements that encompass the various possible program activities.

- | | | |
|--|--|---|
| • Accessibility for the purpose of creating suitable living environments (1,1) | • Affordability for the purpose of creating suitable living environments (2,1) | • Sustainability for the purpose of creating suitable living environments (3,1) |
| • Accessibility for the purpose of providing decent affordable housing (1,2) | • Affordability for the purpose of providing decent affordable housing (2,2) | • Sustainability for the purpose of providing decent affordable housing (3,2) |
| • Accessibility for the purpose of creating economic opportunities (1,3) | • Affordability for the purpose of creating economic opportunities (2,3) | • Sustainability for the purpose of creating economic opportunities (3,3) |

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Past Performance

The following assessment summarizes recent major activities and achievements representing the period covered by the Action Plan for the previous year.

Throughout the most recent Plan period, the Department's housing programs were generally successful in addressing housing needs and priorities. Overall, and in spite of fluctuations in individual program funding, changes in program features, and the generally challenging economic climate, production was consistent with actions proposed in the Action Plan. Meeting the rental housing goals remained the most difficult. Several reasons can be cited:

1. Maintaining the balance between efforts to increase home ownership and meet the demand for multifamily funding assistance during a period of significantly rising housing costs continued to stretch the available resources.
2. The use of the Low Income Housing Tax Credit Program, administered by the Virginia Housing Development Authority (VHDA), which has successfully leveraged private resources for the construction or rehabilitation of rental property, is not directly reflected included in the annual reports. In addition, a limited number of applicants also received additional incentives from the limited (\$500,000) in state low-income housing tax credit provisions that first became available during tax year 2003.
3. Although DHCD has reserved funds for projects that would boost production numbers, these units are not counted until the loan closes.

The following are highlights of accomplishments in previous priority areas:

Expand Rental Housing

For Program Year 2004, the number of persons served by rental housing programs administered by DHCD, with the inclusion of weatherization and emergency home repair programs, met or exceeded projections. As in the previous years, the majority of the beneficiaries fell within the two lowest income categories (0-30% and 31-50 % of median family income); the categories used in the weatherization program did not permit a breakout between these two categories. The state has combined a variety of federal and state resources in the effort to meet its overall goals in this area of need. VHDA continued to support multifamily activities through financing arrangements based on the administration of the State's allocation of Low Income Housing Tax Credits, the use of taxable or tax-exempt mortgage revenue bonds, and the availability of state low-income housing tax credits administered by DHCD.

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Meet the Needs of the Homeless

DHCD met its goals for helping homeless persons and families during the period covered in this report. In program year 2004 (State FY 2005), a period characterized by more favorable economic conditions in the most populous areas of the state, the number of households and families served, which had shown a steady increase during until state FY 2005, continued at a lower level, with the federally-funded program serving 9,846 households containing 15,744 persons. This was somewhat below the level anticipated in the 2004 Action Plan. The number of shelter providers and the overall capacity of shelters had increased as the resources have become available to expand existing facilities or create new ones. The possibility that the stays of individual and families in shelters have been extended, effectively reduces access to these facilities for others in need of assistance. Finally, many shelter providers operate without access to state or federal-funded programs and thus are not fully accounted for.

Besides the activities detailed on the Summary of Housing Accomplishments Table, the continued operations of the State-funded SHARE Homeless Intervention Program have provided either rental assistance, security deposits, or mortgage payment assistance to 2,025 households in state FY 2004, up from the previous year and well above the initial count of 1,581 renter or owner households when the program began. This program prevented individuals and families from losing shelter in the first place or worked to shorten the time during which a household was homeless. This not only benefited the individual households but also helped lessen the existing demand for shelter facilities that receive assistance from DHCD's other homeless programs. DHCD has steadily expanded the geographic area served by the HIP program and the number of individuals and families served so that it is now effectively a statewide program.

Expand Stock . . . Populations Requiring Supportive Services

Federal resources available through DHCD to populations requiring a supportive service component with the provision of housing assistance fluctuated during this period. However, State continued to provide \$360,000 in general funds for the Child Services Coordinator Grant (CSGC) as well as additional funding of \$300,000 through the Virginia Department of Social Services for Child Care for Homeless Children (CCHCP) Program in state FY 2005. I

Support Home Ownership Opportunities

In program year 2004, some 585 first-time homebuyers received direct assistance through the HOME funded homeownership activities. This compared to 229, 213, 216, and 254 from program years 2000-2003. It has succeeded in meeting its objectives including: the creation of regional partnerships, the increased capacity of smaller nonprofit organizations, and better targeting of the funds to under served areas and populations. The upward trend suggests that the state and local program infrastructure is approaching the capacity needed to meet future goals for affordable single-family opportunities for first-time homebuyers.

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Altogether, during the reporting period more than 500 homeowner units received assistance through the Emergency Home Repair Program, the Indoor Plumbing Rehabilitation Loan Program (IPR), or the Weatherization Program. The breakout of units served by the larger programs continued the trend of the previous year, although the production levels associated with the IPR program, fell to 116 units, reflecting a lower level of HOME fund use than in some earlier Plan years.

Increase the Number of Housing Providers . . . Expand Capacity

As the challenges facing the affordable housing industry continue to grow, meeting the growing need for effective and productive housing organizations with skilled staff and boards that can move the affordable housing agenda forward remains a concern. Strong and viable housing organizations are those technologically, fiscally, politically, and organizationally prepared for the pressures of struggling for organizational success. Toward meeting that challenge, the Department of Housing and Community Development has continued to develop and invest funding, training, and technical assistance resources into Virginia's communities through newly emerging as well as well-established housing providers. Through state FY 2005, DHCD helped develop 39 community-based nonprofit housing organizations in under-served areas of the State.

Develop Partnerships

DHCD worked with other state agencies to provide housing and supportive services to lower-income Virginians. The key partnership continues to be with VHDA, the state housing finance agency. Since completing the 2001 Housing Needs Assessment, the agencies have coordinated their activities much more closely. During the current reporting period, the two agencies cooperated on additional ventures, including providing significant assistance to activities of the Disability Commission and the Olmstead Task Force. The two agencies continued their partnership on administering tax credit programs, with VHDA having primary responsibility for the LIHTC program, which has become a primary resource for most State-funded multifamily projects. DHCD maintains primary administrative responsibility for the state low-income housing tax credit program, continuing the interactions between the two agencies because the program linkages within the relevant Virginia statutes. DHCD assigned the state tax credit program into its housing division during the previous year—providing a more direct link between the credits and other housing programs.

In previous years, the Regional Loan Fund, which involves coordination of activities at DHCD and VHDA, was the primary tool for developing partnerships at the state, local, and regional level. These partnerships also include individuals and organizations from the profit-oriented private sectors such as banks, real estate professional, and attorneys.

In addition, DHCD worked closely with members of the non-profit community to develop the approach embodied in the new Priority Housing Fund, which has provided a means for addressing specific high need categories. Nonprofit housing entities were also involved, along with other private sector interests, in development of the legislation and budget

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amendments that helped establish the basis for the creation of a new community development financial institution to participate in leveraging financing for housing and community development in the state's distressed communities.

Assist Local Governments Conserve and Improve Housing

DHCD has provided program funds for housing rehabilitation projects and, under appropriate circumstances, housing production. In the case of housing production, CDBG funds are normally limited to the design and construction of on-site improvements, but they may be used for housing production costs where a neighborhood based non-profit assumes the primary responsibility for property acquisition, development, and down payment assistance. Such CDBG investments are secured through a forgivable loan passed on to the homeowner.

During the 2004 program year, offers were made to nine grantees (two more than during the 2003 program year) for housing projects, amounting to more than one-quarter of the resources available through competitive and open submission grants. This was five percent more than the previous period. Continuing a trend begun during the previous Consolidated Plan, housing has also become a significant component of comprehensive community development proposals. Including the housing elements of comprehensive projects raises the percentage of funds offered in FY 2005 in support of housing projects above the 22-year average for the State-administered program.

Assist Local Governments Improve Neighborhoods

Comprehensive Community Development grants have served as a primary vehicle for the CDBG program to blend housing and non-housing activities to improve neighborhoods in a single package intended to address simultaneously multiple problems within grantee communities. The general upward trend in the number of applicants and awards in this category for several years peaked in 2001 with about 40 percent of program funds allocated to comprehensive projects. The previous program year (2003) broke this pattern with five successful applicants for comprehensive grants receiving only 17 percent of the available CIG funding. However, in the 2004 program year seven comprehensive grant applicants accounted for more than 31 percent of the available CIG funding. Successfully completing these individual projects requires the extensive commitment of funds. The multiple activities and extended completion times that may be associated with the multi-year funding commitments for some grants increases their administrative complexity and may extend the time needed to attain their maximum LMI benefit levels.

Assist Local Governments Increase Business and Employment Opportunities

The three economic development grants awarded during the 2004 competitive funding round accounted for the second smallest proportion (17.5 percent) of CIG funds awarded to economic development projects during the past ten years. The Community Economic Development Set-Aside provided three additional grant awards. Both the number of grants awarded and the percentage of available funds for economic development grants have recently been fluctuating significantly on a year-to-year basis.

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From 1987 through the 2004 program year, CDBG economic development activities assisted 151 businesses, including 24 micro-enterprises. Nearly two-thirds of the 13,589 jobs associated with these grants benefited low-income persons. With the exception of the micro-enterprises, all these jobs were associated with commercial and industrial infrastructure projects. These grants have continued to serve as an effective means for enhancing competitive economic environments within eligible Virginia localities. Competitive grant awards made during the completed year identified at 208 jobs to be created; a least 109 are expected to be LMI.

Assist Local Governments Improve Community Facilities

These projects generally address critical community infrastructure needs, primarily water supply and sewerage, and have enhanced efforts to reduce the number of homes lacking complete or adequate indoor plumbing facilities. In 2004, four grants totaling over \$2.2 million joined eight grants from 2003 totaling \$5.8 million, four 2002 grants representing \$2.8 million, nine 2001 grants of approximately \$5.1, and ten 2000 grants of approximately \$4.0 million in addressing these areas of need. From program year 1987-2003, grantees initiated 585 community facilities projects, mostly street, drainage, sewer, and water improvements. About 80 percent of these had been completed by the end of the previous program year.

Assist Local Governments Improve Community Service Facilities

During the 2004 program year, DHCD made four awards for community service facilities; this was less than 12 percent of the available funding. This was between the proportion of funds awarded in this category in the two previous program years, when the Department made awards to four new community service facility proposals, representing 14.4 percent of competitive grant awards in 2002 and 2003 where they represented 10.6 percent.

Other Issues

DHCD has noted fluctuations in the low and moderate-income (LMI) benefit associated with CDBG-funded projects. This is believed to reflect the impact of awards for planning and community improvement directed at meeting the objective for the removal of slums and blight. Grants focusing on job creation also carry lower LMI benefits. Although, at their outset, many of these projects tend to have lower LMI benefits than do comparable housing or community facility projects, at the back end, many projects demonstrate LMI benefits in excess of those originally proposed. The Department has emphasized the obligation of sub recipients to recognize the importance of addressing the needs of LMI residents.

DHCD recognizes the need to accelerate the pace of project completion—which in turn affects the rate at program draw-downs from each successive cycle of grants. By holding subrecipients responsible for meeting spending targets, the agency anticipates improvements in their performance. For example, all grantee administrative costs are performance-based. These costs are repaid only when pre-determined performance thresholds incorporated in the contract are met.

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The thresholds outline the specific tasks and the amount to be paid upon their completion. DHCD then uses the performance-based project budget to monitor the grantee's progress in project implementation as well as conformity with financial requirements.

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Citizen Participation and Consultation Process

As part of the process for developing its Action Plan for State FY 2007, the Department of Housing and Community Development (DHCD) solicited public consultation and participation through several different modes. The primary source of public input occurred during a series of input sessions addressing the individual housing and community development programs incorporated within the Plan. These included two sessions on the Program Design for the CDBG program held in Abingdon and Richmond in October 2005 and four input sessions covering program design for the three housing programs—HOME, ESG, and HOPWA—that took place in Chesapeake, Fredericksburg, Richmond and Roanoke between September 6 and November 9, 2005. Participants included representatives of local governments, non-profit organizations, and institutions with an interest in various aspects of the housing and community development programs contained within the Plan. The tables following this section summarize the input received at the various sessions and the response of the agency in developing the Plan.

In addition to the input sessions, the agency established a public comment period that began on March 28, 2006 and extended through May 5, 2006. DHCD made the draft plan available on its web site on March 28, 2006, and provided hard copies to each of the state's 21 planning districts. In addition, DHCD established a link on its web site between the agency calendar, the draft plan and related documents. During the formal comment period, DHCD was prepared to receive and respond to comments on the contents of the Draft Action Plan in several different formats, including formal written statements, telephone communications, and oral comments presented at the public hearing. The Department held a public hearing on the plan on April 10, 2006 at the Jackson Center in Richmond.

The Department also published a notice of the availability of the draft Action Plan for review and comment and the time and place of the public hearing in the following six newspapers of general circulation on or about March 27, 2006:

Bristol Herald-Courier
Lynchburg News & Advance
Norfolk Virginian-Pilot
Potomac News
Richmond Times-Dispatch
Roanoke Times

The following tables summarize public input addressing various components of the programs included within the Plan and the agency's actions respecting those comments or recommendations.

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HOME

Input Received	Current Policy	Proposed Action	DHCD Response
<i>HOME Ownership Assistance</i>			
Allow funds to be used in loans targeting up to 80% of AMI.	Regional loan funds for down payment assistance are limited to households at or below 60% of AMI.	Change	DHCD will make downpayment assistance available to all applicants at or below 80% of AMI. The agency will provide special incentives to administrators serving households at or below 60% of AMI. DHCD will revise program guidelines and provide training. Working with VHDA, set-aside funds will be available through its SPARC program to allow current administrators to develop programs targeting households at 60% of AMI.
Allow administrators (sub-recipients) to retain program income and recaptured funds at the local level.	Program income and recaptured funds are returned to DHCD for disbursement on the next eligible HOME project.	Change	Program guidelines will allow sub-recipients to retain program income and recaptured funds when the sub-recipient has both a program income plan and a proven record in the tracking and disbursement of program income through IDIS in accordance with HUD guidelines.
Increase administrative fees associated with program administration	Administrators receive a flat fee based on previous year's performance and expected closings for current year.	Change	In response to feedback from administrators, DHCD changed the processing fees allowable on loans using HOME Ownership to \$1,500 per transaction for loans closed with households between 61 and 80% of AMI and \$1,800 per transaction for loans closed with household at or below 60% of AMI. The higher processing fee at 60% recognizes that it made take extra effort on the part of local administrators to qualify these households for homeownership. VHDA has agreed to make a lower interest rate available to loans targeted at households at or below 60% of AMI.
<i>Affordable Housing Preservation and Production</i>			
Stop requiring land control for AHPP application	Site control is the current requirement for application	No change	HOME funds are used only for permanent financing and as gap financing, because of the limited availability of HOME funds. To tie up funds without site control could mean funds would not be available for another project that is further along in the process of creating affordable housing. DHCD feels that by making site control a requirement of funding, it assures projects do move forward in compliance with HOME regulations. DHCD is committed to providing technical assistance in the upcoming year around this issue to include a survey of other state practices.
Allow the use of HOME funds for land acquisition	HOME funds are available only when construction of funded project will begin within 12 months of purchase.	No change	According to HUD regulations, grantees may use HOME funds for the acquisition of vacant land only if construction will begin on a HOME project within 12 months of purchase. HUD regulations prohibit land banking.
Create a joint	Separate applications are	Not	Joint application will be available by July 1, 2006.

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Input Received	Current Policy	Proposed Action	DHCD Response
application with VHDA for projects that use HOME funds	used for funding from VHDA and DHCD.	specifically related to HUD Action Plan	
Base HOME allocation on size of specific project without limits	HOME funds are used as gap financing and are <i>generally</i> capped at \$500,000.	No change	With limited availability of HOME funds, funding caps provide the broadest possible assistance to eligible projects. Current policy allows DHCD to spread limited resources throughout the Commonwealth as indicated in Chart B.
Establish a permanent rehab program for low income elderly persons not connected to Indoor Plumbing	HOME funds are available for acquisition plus rehabilitation and for rehabilitation only when associated with an Indoor Plumbing Project.	No change	With limited availability of HOME funds, creating another program would diminish funds available for current program areas including affordable housing preservation and production; indoor plumbing; CHDO operating assistance; homeownership down payment and closing costs assistance; housing development for homeless and special needs populations. Elderly persons are being served through the Indoor Plumbing Program. For Program Year 2005, 48% of HOME IPR activities were for elderly head of households.
Allow CHDOs to use HOME for homeownership project for less than 5 units.	CHDOs are able to use HOME through AHPP to develop home ownership projects of 5 or more units.	No change	Due to economies of scale and construction efficiencies, DHCD feels that funds should be targeted to projects resulting in 5 or more units of homes for purchase,
Allow use of state HOME funds for AHPP in entitlement localities without a local match	HOME funds are only available for AHPP in entitlement areas where the locality is also contributing to the project.	No change	DHCD does provide HOME funds for housing for homeless and special needs populations. Virginia continues to target the majority of funds to the non-entitlement areas of the state: entitlement areas have direct access to HOME funds. To expand the use of these funds into jurisdictions having their own HOME allocations would further limit fund availability to non-entitlement areas.
Predevelopment			
Separate predevelopment from AHPP and permanent financing.	Predevelopment is only provided with an approved AHPP application.	No change	DHCD discontinued the predevelopment loan program after consultation with HUD. A HUD monitoring review 2 years ago found 18 of 24 projects receiving predevelopment funds past failed to materialize. For these reasons, DHCD feels predevelopment should be tied to permanent financing. CHDOs are eligible to request an advance on a permanent AHPP loan to cover predevelopment costs up to \$35,000.
Predevelopment loans should be triggered by site control, not AHPP application	Predevelopment is only provided with an approved AHPP application.	No change	Rationale for tying predevelopment to an application rather than site control is the same as above.

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Input Received	Current Policy	Proposed Action	DHCD Response
Predevelopment funds should be available as specific tasks are completed.	Predevelopment funds are available as specific tasks are completed and appropriate paperwork is submitted.	No change	Consistent with current policy
CHDO			
Allow CHDOs to keep proceeds to revolve and build assets.	CHDOs may use proceeds generated from a CHDO development activity. These proceeds include interest on HOME loans or other proceeds from permanent financing.	Currently CHDO may use proceeds only for other HOME eligible activities.	Policy will be revised that when a commitment is made to a CHDO eligible development activity, the written commitment will specify that the CHDO may retain the proceeds if it details the use of these proceeds for other low-income housing activities; and consideration will be given to the possibility for operational support of the CHDO.
Allow CHDOs to use HOME Operating Assistance without having a funded project.	CHDOs receiving set aside funds for an activity or under a written agreement to receive set aside funds within 24 months of the date of the agreement may receive general operating assistance.	No change	If a project does not move forward within the 24 months allowable under HUD rules, the operating assistance must be repaid to HUD from non-federal sources. At present, DHCD may have to reimburse HUD \$100,000 in non-federal funds associated with 2 CHDO Operating Assistance grants that which may not result in a funded project.

Emergency Shelter Grants (ESG)

Input Received	Current Policy	Proposed Action	DHCD Response
No input received specific to ESG program design	N/A	N/A	N/A

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Housing Opportunities for Persons with AIDS (HOPWA)

Input Received	Current Policy	Proposed Action	DHCD Response
No input received specific to ESG program design	N/A	N/A	N/A

Community Development Block Grants

Input Received	Current Policy	Proposed Action	DHCD Response
Program Design: Provide for self-help housing activities	Self-help can be a component of a housing rehabilitation project	No change	Consistent with current policy
Program Design: Permit self-help housing production	See above	No change	Project sponsors would need to have a strong track record in this area for it to be considered as an option.
DHCD asked workshop participants: If CDBG could fund all of the top community development needs in a region, what would they be?			
Participants identified the following list of areas (not prioritized): affordable housing, small business development, scattered site housing, workforce housing, regionalization of public sewer systems, self-help housing training, housing rehabilitation, meeting prioritized sewer needs and difficult water projects, statewide access to fiber optic broadband, brownfield development, mixed income housing projects, infrastructure, “wired” [broadband ready] housing, and tourism support.			

In addition to the comments received from participants in the various input sessions and their follow-up, during the public comment period DHCD received a comment requesting the correction of references to VHDA housing program, updating them to reflect the current organizational and program structure used by the Authority. DHCD did not receive comments on substantive aspects of the draft Plan.

DHCD supplemented the Draft Plan with additional material to address the revisions to 24 CFR part 91 as published in the *Federal Register* on February 9, 2006, as well as material published in the *Federal Register* on March 7, 2006 respecting the implementation of the Outcome Performance Measurement System

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IV: ACTION PLAN

Introduction

The Commonwealth of Virginia through the Department of Housing and Community Development (DHCD) submitted a Consolidated Plan for Housing and Community Development Programs to the federal Department of Housing and Urban Development (HUD) in 2003 to cover the following five state fiscal years:

Year *One* - July 1, 2003 to June 30, 2004 (federal fiscal year 2003)

Year *Two* - July 1, 2004 to June 30, 2005 (federal fiscal year 2004)

Year *Three* - July 1, 2005 to June 30, 2006 (federal fiscal year 2005)

Year *Four* - July 1, 2006 to June 30, 2007 (federal fiscal year 2006)

Year *Five* - July 1, 2007 to June 30, 2008 (federal fiscal year 2007)

Each year the Commonwealth supplies HUD with an annual Action Plan describing how the State intends to implement its housing and community development programs. This plan combines in a single document information describing the proposed use of HOME, HOPWA and ESG funds and the proposed method for making CDBG funds available for housing and other eligible community and economic development activities. The activities described reflect and complement other DHCD efforts to implement initiatives reflected in its mission. Housing rehabilitation and down payment assistance to first-time home buyers, as described in more detail in the *Virginia Community Development Block Grant Program 2005 Program Design*, are, for example, among the housing activities for which CDBG funds may be used during the fiscal year. Other eligible community and economic development projects, such as the installation or improvement of various types of community facilities, directly and indirectly affect the environment for housing in Virginia's localities. Similarly, the construction and rehabilitation of housing supported by HOME and other formula programs complements efforts to strengthen local economies. This Action Plan incorporates tables originally derived from the Community 2020 planning software except where they have already been incorporated in the Consolidated Plan. The state's administration of the four programs may differ from the methods that entitlement communities use; thus, some features of the Community 2020 software are not entirely relevant. Information from Community 2020 tables that will continue to be submitted to HUD in a compressed digital format pending the introduction of the on-line version of Community 2020 has been presented on substantially similar tables within either this document or the Consolidated Plan.

ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

The Action Plan for Housing and Community Development Programs for State FY 2007 (Federal FY 2006 Funding):

- Details the housing and community development priorities, objectives, and strategies included in the five-year Consolidated Plan adopted and approved in 2003;
- Describes actions the State will take concerning affordable housing;
- Estimates the resources available to the State for the housing programs and community development activities subject to the Consolidated Plan;
- Outlines the proposed budget for and provides a summary of housing activities the State will undertake, including how the State will assist homeless people and others with special housing needs;
- Describes how the State will distribute available resources for housing and community development;
- Provides information on the programs covered by this Action Plan, including the HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with HIV/AIDS (HOPWA), and Community Development Block Grants (CDBG); and
- Provides information on other federal and non-federal programs and funding sources that may be available to the State for addressing housing and community development needs, including the overall legislative and regulatory climate.

A. PRIORITIES FOR HOUSING AND COMMUNITY DEVELOPMENT

Three priorities guide the Virginia Department of Housing and Community Development (DHCD) in its use of available housing resources in meeting the need for affordable housing, ending homelessness, and providing for persons with special housing needs. Five related community development objectives establish the priorities for assistance from the CDBG program offered to eligible localities seeking to improve housing, bolster local economies, and develop a variety of community facilities and service facilities. These priorities and objectives were initially established through the process used to develop the current Consolidated Plan, a process that included the extensive use of focus group meetings to elicit public recommendations concerning housing priorities.

DHCD focused on elements of the CDBG program at two Program Design / Consolidated Plan Input Workshops on October 26 and October 31, 2005. Following these workshops, DHCD prepared the final CDBG program design, conducting a

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public hearing on November 21, 2005. DHCD also reviewed additional public comment received through November 28, 2005.

The new program design proposed changing several provisions and policies from those of the previous year. The state eliminated the set-aside for the Community Development Venture Capital Fund. DHCD extended the Construction Ready Water and Sewer Fund pre-contract phase from 30 days to 60 days. In cases where project activities will encompass two or more localities, at least 65% of the project funds must be spent in the applicant locality. Where VCDBG funds represent a primary source of funding for the creation of new affordable housing units and will be used for onsite improvements, they must take the form of a loan subject to the *Applicable Federal Rate* for at least nine years. The Community Economic Development Fund was further modified with respect to certain terms of employment. Economic Development projects under the Community Improvement Grants heading, especially addressing Business District Revitalization. Applicants must have an Economic Restructuring Plan to help ensure the long-term success and viability of the project. Planning Grants are available to assist in developing the economic restructuring plan. They must demonstrate that business district revitalization is the highest community development need. Grantees under this category must also adopt minimum design and maintenance standards for those not willing to participate.

The Housing Needs Assessment that DHCD and its major housing partner within the state government, the Virginia Housing Development Authority (VHDA), completed in late 2001, remains a primary source guiding the Virginia's response to meeting identified goals for housing. Issues relating to homeownership, including opportunities for first-time homebuyers and the need to rehabilitate substandard owner-occupied units with or without the provision of indoor plumbing, received considerable attention. Housing affordability in general and the needs of individuals with various disabilities were consistently identified as significant issues.

In addition to providing a source of financial and technical support for housing, DHCD's community development activities, stated in five objectives of the CDBG program, complement its housing efforts by improving the economic, physical, and institutional environment within Virginia's nonentitlement communities. For their part, housing activities in CDBG eligible communities can increase the comprehensive character of community improvement efforts. DHCD and its partners increasingly emphasize the importance of considering housing within the broader context of promoting better communities.

The following section details the priorities and strategies that will govern the use of state resources for housing and community development during the state's FY 2005.

TARGETS

The primary targets of the State's housing programs include:

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1. Eligible CHDO activities;
2. Homeownership (regional allocations in an open submission application process);
3. Affordable Housing Preservation Program (AHPP) (incorporates the CHDO set-aside and is allocated in an open submission application process);
4. Indoor Plumbing Rehabilitation Program (IPR);
5. Supportive Housing Programs or projects (distributed statewide to applicants receiving a HUD Supportive Housing Grant); and
6. Expansion of Housing Options for the Homeless

The following three broad priorities govern the use of the State's housing funds, addressing the affordable housing and homeless needs, including those for persons with disabilities as well as other special needs, identified in the Consolidated Plan:

- Increasing the availability and affordability of safe, decent, and accessible housing to low and very low-income persons;
- Increasing the ability of communities to implement creative responses to community-based needs; and
- Supporting policy development and research related to significant economic development, community development, and housing issues.

CDBG Housing Priority

In addition to its community development priorities the state administered CDBG program includes one specific housing priority that focuses on the integration of housing resources and broader community development goals.

PRIORITY:	Objective
<p>To assist local governments in conserving and improving housing conditions.</p>	<p><i>Provide financial and technical support for housing rehabilitation</i> to result in reducing substandard housing conditions, conserving local housing stocks, stabilizing declining neighborhoods, promoting homeownership options, improving standards of living, and enhancing the attractiveness of the community.</p> <p><i>Provide financial and technical support for acquisition and improvement of sites and/or facilities for low- and moderate-income housing</i> to result in reducing the number of Virginia citizens in substandard housing, increasing the supply of housing, improving local standards of living, expanding housing opportunities, improving the quality of public facilities serving low- and moderate-income housing, and providing or improving basic public facilities serving low- and moderate-income housing.</p>

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Other Community Development Priorities Receiving CDBG Assistance

PRIORITY:	Objectives
To assist local governments in improving neighborhoods and other areas through comprehensive community development programs.	Provide financial and technical support for the comprehensive improvement of residential areas <i>to result in revitalized neighborhoods including improved housing, water, sewer, road, and drainage conditions.</i>
To assist local governments in increasing business and employment opportunities through economic development programs.	<p>Provide financial and technical support for the acquisition, development, rehabilitation, or expansion of business and industrial sites and facilities <i>to result in raising wage levels, retaining existing jobs, generating new jobs and employment opportunities, generating long-term employment, diversifying and expanding local tax bases and economies, and reducing the out-commuting of workers and out-migration of residents.</i></p> <p>Provide financial and technical support for the acquisition, development, and revitalization of commercial districts <i>to result in increasing retail sales and property values in stagnating or declining commercial districts, retaining existing businesses, increasing the opportunities for small businesses in commercial districts, retaining existing jobs, and strengthening local tax bases.</i></p> <p>Provide financial and technical support for the development of entrepreneurial assistance programs including microenterprise assistance, business incubators, and similar efforts <i>to result in creating assets among low-income persons, increasing employment opportunities, reducing unemployment, increasing wage levels, generating new jobs, generating long-term employment, and diversifying and expanding local tax bases.</i></p>
To assist local governments in improving the availability and adequacy of community facilities.	<p>Provide financial and technical support for acquisition of sites or rights-of-way for community facilities such as water, sewer, drainage, and streets <i>to result in providing basic facilities in areas where they are lacking.</i></p> <p>Provide financial and technical support for the installation, rehabilitation, or improvement of community facilities such as water, sewer, drainage, and streets <i>to result in providing basic facilities in areas where they are lacking, improving the quality of inadequate community facilities, enhancing the development potential of communities, and eliminating conditions detrimental to health, safety, and public welfare.</i></p>
To assist local governments in improving the availability and adequacy of community service facilities.	<p>Provide financial and technical support for the acquisition of sites and/or structures for community services facilities <i>to result in providing new or expanded community services.</i></p> <p>Provide financial and technical support for the construction, rehabilitation, or improvement of community service facilities <i>to result in developing new structures, or rehabilitating or improving existing structures for the provision of new or expanded community services.</i></p>

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B. RESOURCES

The State expects to receive the following *estimated* federal and state resources to be available for housing and community development activities in the state's FY 2007. In addition, the State intends to use program income as noted.

Estimated Resources

Resources	Federal	State¹	Estimated Program Income
HOME	\$14,244,930	0	\$300,000
American Dream Downpayment Initiative	274,384	0	0
Emergency Shelter Grant	\$1,571,410	\$3,265,120	0
Tax Check-off for Homeless, Elderly, and Disabled Housing	0	\$100,000	0
Child Service Coordinator	\$0	\$500,000	0
Child Care for Homeless Children Grant	\$300,000	0	0
Housing Opportunities for Persons with AIDS	\$618,000	0	0
TANF Homeless Families Program Support	\$4,910,128	0	0
Weatherization [DOE]]	\$4,344,862	0	0
Low Income Home Energy Assistance Program	\$5,724,845	0	0
Lead Hazard Grant	\$1,000,000		0
Commonwealth Priority Housing Fund	0	0	0
Emergency Home Repair	0	\$352,725	0
Indoor Plumbing Rehabilitation	0	\$2,880,000	0
Homeless Intervention Program	0	\$4,500,000	0
SROs for the Homeless	0	\$0	0
Derelict Structures	0	\$500,000	0
Community Development Block Grant ²	\$20,099,318	0	\$20,610
Appalachian Regional Commission	\$3,500,000	0	0
<i>Federal</i> Low-Income Housing Tax Credits ³	\$14,489,000	0	0
<i>State</i> Low-Income Housing Tax Credits	0	\$500,000	0
TOTAL	\$71,076,877	\$8,732,725	\$320,610

NOTES:

¹ The state's appropriations act for the FY 2007-08 biennium had not been enacted at the time this table was prepared. The General Assembly is currently engaged in a special

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session to complete the adoption of the biennium budget. Budgets passed in the respective houses of the General Assembly before adjournment *sine die* included funding for shelter support and special needs housing, for homeless prevention, and for indoor plumbing as well as additional funds for SROs and other homeless activities.

² This includes an estimated \$530,390 in recaptured funds, \$700,000 from 2005 Letters of Intent to Fund in 2006; \$15.97 million for a variety of Community Improvement Grants; \$500,000 for Planning Grants; and \$3,814,849 in multi-year housing projects with the balance being used for state administration and technical assistance.

³The approximate amount of new federal LIHTC expected to be available for qualifying housing sponsors after December 2005. The Virginia Housing Development Authority allocates these credits.

Match Requirements

HOME Investment Partnerships (HOME) Program

See pages IV-16-17 for the plan to meet HOME match requirements.

Community Development Block Grants

Projects funded via the CDBG Program do not have per se matching requirements; however, potential grantees can enhance their competitiveness by incorporating local resources in proposals for community improvement grants. Similarly, the degree of commitment as evidenced by private funds included in applications for certain economic development projects can affect their competitiveness. Thus, historically, the majority of successful applications include some degree of local participation--by the local government, private entities, or both.

Emergency Shelter Grant (ESG) Program

Federal regulations require a one-to-one match for ESG expenditures. The Department requires that all subrecipients of ESG funds provide the necessary match and submit a budget indicating the amount and source of match before the disbursement of funds. Eligible sources of match include recipient cash, volunteer hours valued at \$5/hour, and in-kind contributions. Each ESG subrecipient is monitored regularly following departmental procedures, to ensure compliance with all federal requirements, including match expenditures.

Housing Opportunities for Persons with HIV/AIDS (HOPWA) Program

Matching funds are not required for the HOPWA Program

Leveraging Private Resources

Leveraging other resources, including those from the private sector, is an important part of the State's housing and community development activities. This is particularly true in

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connection with the Virginia Housing Development Authority's Virginia REACH team and the use of HOME funds. The State's homeownership program provides down payment and closing cost assistance that leverages private mortgage financing.

The State's loan programs for the development and preservation of affordable housing will primarily target permanent financing. However, because of the highly competitive nature of the funding, leverage has historically exceeded the minimum by a significant margin. The State anticipates public and private leverage for these activities would exceed \$25 million, allowing increased development in hard to develop areas. This includes initiatives through VHDA's Resources Enabling Affordable Community Housing (REACH) team, and funding resulting from the liquidation of the Virginia Housing Partnership Loan Fund portfolio in accordance with requirements of the 2003 appropriations act.

In evaluating CDBG applications, DHCD considers the degree of commitment to a project as evidenced through the pledge of either local (for community facilities and housing) or private (for economic development) resources. Historically, the actual amount of leveraged funds has varied considerably from project to project, with economic development open submissions showing high private/public dollar ratios and other types of projects showing a more modest degree of leveraging of other public or private resources. The 2005 funding round leveraged approximately \$86.3 million including local, other state, other federal and private resources.

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C. PROPOSED USES

**2006 Action Plan
HUD Goals**

Goal #1: Suitable Living Environment
Goal #2: Decent Housing
Goal #3: Economic Opportunity

Objective 1: Availability/Accessibility
Objective 2: Affordability
Objective 3: Sustainability

HOME Program

HOME Allocation	Goal/ Objective	Outcome/Indicator	Amount	Program Income	Maximum/ Minimum	Dates	Recaptured Funds
Affordable Housing Preservation & Production	Goal 2 Objective 2	200 Units of Decent Housing with Improved New Affordability for Households at or below 60% of AMI	\$4,000,000 [Includes \$2,136,740 in CHDO allocated funding]	Program income returned to DHCD will be reallocated to HOME-eligible activities	Up to \$500,000 per project based on HUD program guidelines	Open: 7/1/06 until all funds are committed	Evaluated in April 2007. Decision to either to carry into FFY2007 or reallocate to another HOME-eligible activity.
Indoor Plumbing Program	Goal 2 Objective 3	100 Units of Decent Housing with Improved Sustainability for Households at or Below 80% of AMI	\$5,000,000	Program income will be revolved at the local level and will be reallocated to HOME-eligible activities	Allocation formula based on population, per capita income, households lacking plumbing and overcrowding	Open: 7/1/06	Funds not used by January 1 revert to incentive pool and made available to other sub-recipients
HOME Ownership Program	Goal 3 Objective 2	Economic Opportunity through Improved/New Affordability for 115 New First-Time Homeowners at or below 80% of AMI	\$2,500,000 plus program income estimated at \$300,000	Program income will be revolved at the state/local level and will be reallocated to HOME-eligible activities	Allocations formula based on prior use and market conditions	Open: 7/1/06	Evaluated in April 2007. Decision to either to carry into FFY2007 or reallocate to another HOME-eligible activity.

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HOME Program (cont.) and ADDI

HOME Allocation	Goal/ Objective	Outcome	Amount	Program Income	Maximum/ Minimum	Dates	Recaptured Funds
Homeless and Special Needs Housing	Goal 1 Objective 1	Enhanced Suitable Living Environment for 75 formerly homeless or special needs households	\$ 1,344,930	NA	Up to \$500,000 per project except HOME Match generally up to \$200,000 per project.	Open: 7/1/06	Evaluated in April 2007. Decision to either carry into FFY2007 or reallocate to another HOME-eligible activity.
Administration	NA		\$1,400,000				
Total Allocation			\$14,244,930	\$300,000	\$14,544,930		
American Dream Downpayment Initiative	Goal 3 Objective 2	Economic Opportunity through Improved/New Affordability for 28 New First-Time Homeowners at or below 80% of AMI	\$274,384	Program income will be revolved at the state/local level and will be reallocated to HOME-eligible activities	Allocations formula based on prior use and market conditions	Open: 7/1/06	HUD automatically allocates homeownership set-up meeting ADDI guidelines in IDIS

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Emergency Shelter Grant (ESG) Program

Program	Goal/ Objective	Outcome/Indicator	Amount	Maximum/ Minimum	Dates	Recaptured or Unused Funds	Additional Indicators
Shelter Operations	Goal 1 Objective 1	Enhance Suitable Living Environment Through Improved Availability by leveraging state funds and providing over 2,000 beds for homeless households	\$1,492,840	Non-competitive allocation on a per bed basis.	Application Due: 4/7/06 Commitments: 6/1/06	Funds not used during grant year will be carried over to next year's funding or reallocated to current recipients for operations or special projects.	<ul style="list-style-type: none"> 60% of homeless households in transitional housing will exit to permanent housing 10% of households exiting shelter programs will have employment
Administration			\$ 78,570				
Total HUD Allocation			\$1,571,410				

HOPWA Program

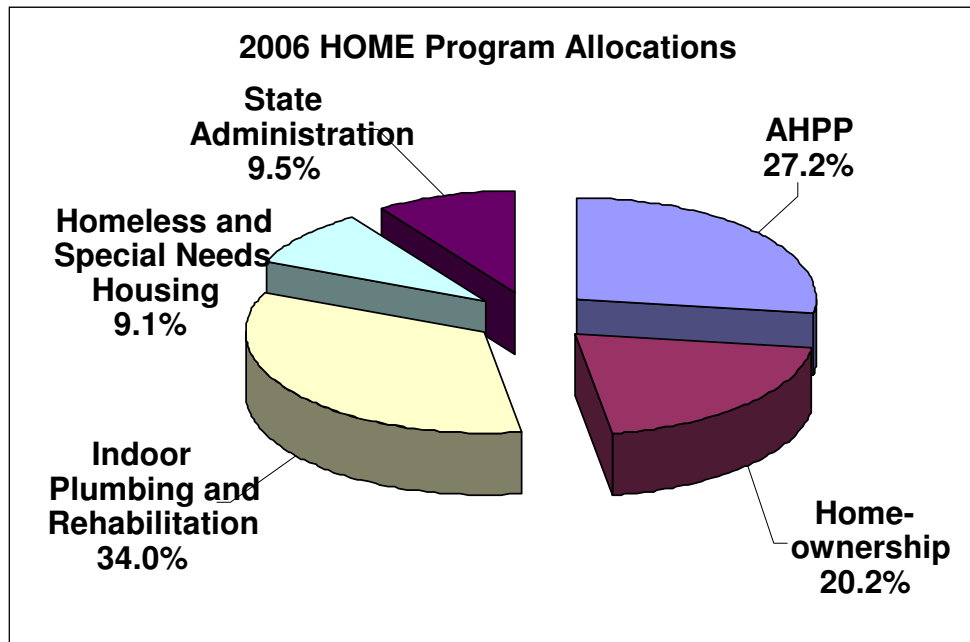
Program	Goal/ Objective	Outcome/ Indicator	Amount	Maximum/ Minimum	Dates	Recaptured or Unused Funds
Housing and Supportive Services	Goal 1 Objective 1	Enhance Suitable Living Environment Through support services to over 200 individuals and families and rental assistance to 75 individuals and families	\$ 556,200	Competitive allocation based on proposals submitted and identified needs.	NOFA with Request for Proposal posted 3/20/2006. Due Date: 5/7/2006 Awards: 7/1/2006	Funds not used during grant year will be carried over to next year's funding or reallocated to current recipients for housing, services or special projects
Administration 10% of Grant			See Below			
•Subrecipients			\$43,260	7% of award		
•DHCD			\$18,540	3% of award		
TOTAL GRANT			\$ 618,000			

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ANTICIPATED USE OF FUNDING IN STATE FY 2007 (2006 HUD Grant Year)

In 2006, Virginia's Home Investment Partnership funding will be allocated to the following principal categories of usage:

Anticipated Resources	
DHCD's 2006 HOME Allocation	\$ 14,244,930
Anticipated Program Income ¹	\$300,000
American Dream Downpayment Initiative (ADDI)	\$274,384
Total	\$14,819,314
Proposed Uses	
AHPP (Multifamily Development) ²	\$4,000,000
Homeless & Special needs Housing	\$1,344,930
Homeownership	\$3,074,384
Indoor Plumbing and Rehabilitation	\$5,000,000
State Administration	\$1,400,000
Total	\$14,819,314



¹ **Program Income**-The HOME Program receives program income each year that enables DHCD to provide additional funds to housing recipients. The amount of program income received each year is reported in the Consolidated Annual Performance and Evaluation Report (CAPER).

² **Community Housing Development Organization (CHDO) Set-Aside:** The HOME regulations require participating jurisdictions to set aside 15% of the annual allocation to fund applications submitted by CHDOs (eligible activities include rental projects and homebuyer unit new construction, and homebuyer unit acquisition/rehabilitation/resale.) Only CHDOs certified by DHCD are eligible to apply under this set-aside. A minimum of 15% or \$2,136,740 of the state's HOME allocation award is allocated to AHPP and will be restricted for use by CHDOs certified by the state.

D. DISTRIBUTION METHODOLOGY

Although there is no formal plan for the geographic distribution of most of the HOME resources identified in this Plan, the design of each of the programs has specific measures to provide a fair distribution of available resources. For example, AHPP funds focus first on projects in localities that are non-entitlement communities; projects in HOME entitlement localities receive second priority. The AHPP emphasis is on underserved regions of the state, which include rural communities and those urban areas such as Northern Virginia where extremely high land and development costs preclude housing affordability. DHCD relies on the existing statewide network of twenty-seven (27) CHDO's to participate in meeting this expectation.

The Indoor Plumbing Rehabilitation Program only funds projects in HOME non-entitlement jurisdictions. The IPR Program is limited to 115 eligible cities and counties. The program's 52 current subrecipients serve eligible localities. Subrecipients include local governments, housing authorities, planning district commissions and a wide-range of non-profit organizations whose coverage ranges from multiple jurisdictions to very small organizations with limited capacity. This network allows programs to reach into most parts of the state. To help serve areas of the state that are either not served or are under-served by IPR subrecipients, DHCD now allows subrecipients to "roam to serve units that are completely lacking indoor bathroom outside of the jurisdictions they are contracted to serve."

The HOMEownership Program operates through local partnerships with governmental entities, non-profit housing service providers, and mortgage lenders across the Commonwealth. DHCD uses a network of local administrators to administer the program, offering intake services, housing counseling, and pre-qualification screening for eligibility on a first-come, first-serve basis to serve the various regions of the state. DHCD will extend the contracts of the administrators selected for the 2005 Program Year by July 1, 2006.

Assistance to projects serving the homeless and special needs populations (housing with support services) are combined into a single allocation. Projects receiving funding through the HUD Continuum of Care (CoC) award process will receive priority through HOME Match. Other projects for transitional housing, individual efficiency units (SROs) and permanent supportive housing will be reviewed in collaboration with the local CoC and funded on a first-come, first-serve basis. All areas of Virginia are now covered by a CoC.

STATE RESPONSIBILITIES

The State is required to adopt a citizen participation plan that sets forth the State's policies and procedures for citizen participation in the development of the State's Consolidated Plan, any substantial amendments to the plan, and the annual

performance report. Before adoption of the citizen participation plan, the State must make its Annual Plan available to the public by notifying each unit of local government and Planning District Commissions, and through the Department's mailing list of citizens, organizations, and service providers. The State gave such notification on March 28, 2006 and provided thirty-five days for comment.

It is the intent of the citizen participation plan to provide for and encourage citizen participation in the development of the Consolidated Plan, any substantial amendments to the plan, and performance reports. Especially encouraged to participate are low-and moderate-income (LMI) persons, particularly those having in slum and blighted areas and by residents of LMI neighborhoods, including minorities and non-English speaking persons, as well as persons with disabilities.

The Commonwealth proposes to publish the proposed Annual 2006 Action Plan in a manner that affords citizens, units of general local governments, public agencies and other interested parties a reasonable opportunity to examine its contents and to submit comments. The proposed Plan will include the amount of assistance the Commonwealth expects to receive and the range of activities that may be undertaken under various programs included in the Consolidated Plan and annual Action Plan, including the projected amount that will benefit persons of low and moderate income and the plans to minimize displacement of persons and to provide assistance to any persons displaced.

PUBLIC HEARING PROCESS

On April 10, 2006, the State held a public hearing regarding the proposed Annual Action Plan and HOME Program Design.

The State public hearing relative to the adoption of this Plan covered housing and community development needs and strategies. Notice of this meeting was published at least ten days in advance of the public hearing in six newspapers of general circulation, posted on the agency web site, and mailed to each of the 21 planning district commissions with a copy of the draft plan.

Public hearings are held at times and locations convenient to potential and actual beneficiaries and in facilities accessible to persons with disabilities. Where a significant number of non-English speaking residents can reasonably be expected to participate and when the State is made aware of such participation at least ten days before the hearing, it is the State's policy to retain the services of an interpreter for all hearings.

Citizens and units of local government will have not less than thirty days (30) to comment on the proposed Plan. In addition, the State will consider any written or oral comments received at any public hearing in preparing the final Plan; a summary of all comments, including any comments not accepted, will be summarized in the final

plan.

ACTION PLANS

An annual action plan is prepared for each year covered by the Consolidated Plan. The action plan for the initial year of a Consolidated Plan was included in the Consolidated Plan. Subsequent action plans will be prepared and submitted to the U.S. Department of Housing and Urban Development (HUD) annually. Each annual Action Plan includes the following information:

- Federal and other resources expected to be available to address the priority needs and objectives of the Consolidated Plan
- A description of state's method of distribution of funds received from HUD, and
- The process for preparing the Action Plan.

The process for preparing the 2006 action plan included six public input sessions focusing the State's method of distribution for its various housing and community development programs. In addition to the previously mentioned CDBG session, DHCD conducted four housing sessions covering HOME, HOPWA and ESG:

- September 26, 2005 at Germanna Community College in Fredericksburg
- October 31, 2005 at the Hampton Roads Planning District Commission in Chesapeake
- November 1, 2005 at DHCD in Richmond
- November 9, 2005 at the Blue Ridge Housing Development Corporation in Roanoke

Input from the housing sessions resulted in several changes to the various program guidelines affecting down payment assistance, the retention of program income by sub-recipients, and differential processing fees. Other items raised by participants remain under consideration for future action. These forums also provided an opportunity for local governments and other parties to offer comment on State community development and housing needs and the strategies to address the needs. Each annual action plan in succeeding years will follow the same general process.

AMENDMENT PROCESS

Any change in eligible activities or method of fund distribution that exceeds fifteen (15) percent of each program's annual available funds as contained in the Consolidated Plan is subject to an amendment process. The State intends to conduct one public hearing in Richmond for such changes. Notification will be made through DHCD mailing list. A thirty-day (30) comment period will be provided.

PERFORMANCE REPORTS

Any performance report submitted to HUD relative to the Consolidated Plan is subject to participation and comment. The state provides reasonable notice of the comment

period (through newspaper advertisements at least two weeks in advance in the newspapers) and also provides a period not less than fifteen (15) days to receive comment on any performance report prior to submission to HUD. A commenter may review the performance report at DHCD's offices after alerting DHCD at least five (5) working days in advance. Summaries of comments received shall be attached to the performance report.

PUBLIC REVIEW OF DOCUMENTS

The following documents will be available to the public (citizens, public agencies, and to interested parties) at DHCD's offices if DHCD first receives a request for the document five (5) working days in advance:

- Consolidated Plan,
- Substantial amendments to the Plan,
- Performance reports records relating to the foregoing documents, and
- DHCD's use of assistance available under Community Development Block Grant, HOME, Emergency Shelter Grants, and Housing Opportunities for People with AIDS programs during the five-year period preceding the year of the request.

Note that the Consolidated Plan, substantial amendments to the Plan, and performance report documents will be available upon request in a form accessible to persons with disabilities.

COMPLAINT PROCESS

The State shall provide a substantive, written response to written complaints regarding the Consolidated Plan, substantial amendments to the Plan, and performance reports within fifteen (15) working days, where practicable.

DHCD TECHNICAL ASSISTANCE

DHCD will provide technical assistance to any for-profit or nonprofit affordable housing developer or their agents in preparing and submitting proposals and otherwise pursuing assistance under the HOME Program. This assistance will generally occur via telephone, facsimile transmission, electronic mail, formal meetings, and occasional site visitation.

There are a number of policies, which are applicable to all assistance available under the Virginia HOME Investment Partnership Program.

MATCH REQUIREMENTS

The State will satisfy the requirement that it provide a 25 percent match with non-federal funds using the following sources:

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- The present value of interest reductions of below-market-rate loans where the project also receives HOME assistance.
- State general revenue funds that are contributed to housing projects assisted with HOME funds and meet the HOME affordability requirements.
- The face value of State mortgage revenue bond loans (multi-family and single family loans).

AFFORDABILITY PERIODS

To ensure that HOME Investments yield affordable housing over the long term, HOME imposes rent and occupancy requirements over the length of an affordability period. For homebuyer and rental projects, the length of the affordability period depends on the amount of the HOME investment in the property and the nature of the activity funded. The table below provides the affordability periods.

HOME Investment Per Unit	Length of the Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
New construction of rental housing	20 years
Refinancing of rental housing	15 years

PROGRAM INCOME

The State anticipates approximately \$300,000 in program income attributed to the HOME Investment Partnership Fund. This income is in the form of interest earnings on multifamily projects and repayment of HOME funds on rehabilitated owner-occupied units. The program income will be used for other HOME-eligible activities.

The Indoor Plumbing/Rehabilitation Program has continued to be administered as a loan program. Repayments are made based on the homeowner's financial capacity. The subrecipient retains repayments under IPR for use on other HOME-eligible projects. Each subrecipient must develop a plan for using any program income and report program income to the State.

AFFIRMATIVE MARKETING/MINORITY AND WOMEN BUSINESS OUTREACH

DHCD requires that its grantees and or administrators not exclude any organization or individual from participation under any program funded in whole or in part by HOME Program funds on the grounds of age, disability, race, creed, color, national

origin, familial status, religion or sex. The following federal requirements are applicable to HOME Program developments:

- Fair Housing Act 24 CFR 100
- Executive Order 11063, as amended 24CFR107 (Equal Opportunity in Housing)
- Title VI of the Civil Rights Act of 1964 24 CFR 1 (Nondiscrimination in Federal Programs.)
- Age Discrimination Act of 1975 24 CFR 146
- Section 504 of the Rehabilitation Act of 1973 24 CFR 8
- Executive Order 11246, as amended 41 CFR 60 (Equal Employment Opportunity Programs.)
- Section 3 of the Housing and Urban Development 24 CFR 135 Act of 1968
- Executive Order 11625, as amended (Minority Business Enterprises)
- Executive Order 12432, as amended (Minority Business Enterprises)
- Executive Order 12138, as amended (Women's Business Enterprise)

DHCD requires sponsors for projects consisting of five or more units to adopt affirmative marketing procedures and requirements. DHCD provides each sponsor with a model affirmative marketing strategy that may be adapted to meet the individual project's specific features. DHCD reviews draft strategies and requires that sponsors submit their final or adopted strategies for review and approval before committing funding. The affirmative marketing procedures and requirements must include the following elements:

- The project sponsor's methods for informing all parties of the fair housing laws
- The policies, requirements and practices that the owner must carry out to assure the widest possible outreach,
- Record keeping requirements, and
- The method to be used to assess the success of the marketing strategy.

Although all housing programs DHCD operates are subject to minority and women's business enterprise outreach requirements, HOME-funded projects are subject to more specific requirements. Project sponsors must initiate practices that facilitate participation by small women-owned and minority enterprises that include the following:

- Dividing procurement for goods, services, and contracts, where possible, into small segments;
- Establishing delivery schedules to encourage their participation;
- Publishing notices via *legal advertisement* in *regional* newspapers of anticipated contracts, services and procurement;
- Maintaining solicitation lists;
- Providing construction contractors copies of this solicitation list; including goals for women-owned and minority business goals in construction contract documents; and

- Maintaining a register of all minority and women-owned enterprises actually used.

Contract documents and individual project goals must be sent to DHCD at the time that the project sponsor is preparing bid specification packages. Project sponsors are responsible for requiring contractors to submit information monthly on minority and women-owned enterprise.

DISPLACEMENT

Projects causing the displacement of individuals or families are discouraged. HOME applicants whose projects involve relocation or acquisition must submit a relocation assistance plan (technical assistance is available from DHCD staff). All recipients of funds must comply with the provisions of the Uniform Relocation Act and, as applicable, Section 104(d).

Uniform Relocation Act and Section 104(d) Requirements

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) is separate, government-wide legislation that applies to HUD programs such as HOME, CDBG, or Section 108 loan guarantees. It does not apply to other federal guarantees or insurance (e.g., FHA insurance) *nor does it apply to Low-Income Housing Tax Credit programs*. URA is triggered when any of the following occur:

- Displacement of homeowners, tenants, and businesses that results from the acquisition, demolition, or rehabilitation for HUD-assisted projects carried out by public agencies, nonprofit organizations, private developers, or others; or
- Real property acquisition for HUD-assisted projects (whether publicly or privately undertaken).

Typically, projects triggering URA include one or more of the following:

- Property acquisition, including acquisition of vacant lots for homebuyer programs;
- Relocation of homeowners, tenants, or businesses; and
- Homeowner rehabilitation programs where household participation is not voluntary (includes programs where code compliance is used as enforcement mechanism for households to participate in the rehabilitation program).

The URA protects all persons who are displaced by a federally assisted project, regardless of their income. This is in contrast to Section 104(d), which only protects displaced persons whose income is at or below 80% of the area median. Section 104(d) applies to some, but not all, CDBG- or

HOME-funded projects, and its requirements differ from URA in several ways, including who is eligible for assistance and what assistance is provided. Section 104(d) requirements may also be triggered in a HOME-assisted project. These requirements focus on the “loss” of low/moderate income housing (both rental and owner occupied) through demolition or conversion. Section 104(d) requires:

- Relocation assistance for displaced low/moderate income families; it does not provide protection or assistance to households with incomes above the Section 8 Low Income Limit; and
- One-for-one replacement of low/moderate income dwelling units that are demolished or converted to another use.

LEAD-BASED PAINT

All HOME funds committed to specific projects after September 15, 2000 must comply with the Lead Based Paint regulations at 24 CFR Part 35. These regulations require the use of trained and certified lead paint professionals and certified abatement contractors. The HOME lead-based paint requirements apply to all activities including acquisition not involving rehabilitation (e.g. down payment assistance programs.) In each HOME-assisted unit, all intact and non-intact interior and exterior surfaces in the assisted unit must be inspected for the presence of defective paint, i.e. cracking, scaling, chipping, peeling, or loose paint. Where defective paint is found, it must be treated to eliminate hazards. At a minimum, treatment is removal of the defective paint and repainting of the surface.

PROPERTY STANDARDS

Upon completion of project activities (e.g., acquisition, rehabilitation or new construction), the project must continue to meet minimum property standards including:

- A. Decent, safe, sanitary housing that minimally meets all applicable local and State codes, rehabilitation standards, ordinances, and zoning ordinances including, but not limited to, the State's Building Standard (AS 18.56.300) as implemented by 15 AAC 150.030, Building Energy Efficiency Standard (AS 46.11.040) as implemented by 15 AAC 155.010.
- B. The owner must maintain the assisted housing in compliance with all applicable State and local housing quality standards and code requirements. If there are no such standards or code requirements, the housing must meet the Housing Quality Standards in 24 CFR 982.401 (Section 8 Housing Assistance Payments Program's Housing Quality Standards [HQS]) and comply with HUD's Lead Based Paint Hazard and Control in 24 CFR Part 35. (Also see Chapter 7 § II. Housing Quality Standards Inspections.)

ENVIRONMENTAL REVIEW

In implementing the HOME Program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969, and the related authorities listed in HUD's Regulations at 24 CFR Parts 50 and 58. **HOME Program funds cannot be committed until the environmental review process has been completed.** Down payment assistance activities to individual homebuyers are categorically excluded and do not require an Environmental Review (24 CFR Part 92.352).

PROGRAM TARGETING

A grantee receiving HOME funds must use 100 % of its HOME funds to assist families with incomes below 80 % of the area median income. Grantees and Participating Jurisdictions may narrow the income range: DHCD has chosen to focus on households with incomes at 60% or below Area Median Income. In rental facilities, 90 % of the occupants of HOME-assisted rental units and households assisted with HOME-funded TBRA must have incomes that are 60 % or less of the area median. Tenant families with incomes at or below 50 % of median income must occupy 20 % of the units in each rental housing project containing five or more units.

ELIGIBLE PROPERTY TYPES

HOME rental projects may consist of one or more buildings on a single site, or multiple sites that are under common ownership, management and financing. The project must be assisted with HOME funds as a single undertaking. The project includes all activities associated with the site or building. With publication of the Final Rule, projects are no longer required to be within a four-block area. HOME funds may be used to assist mixed income projects (but only HOME-eligible tenants may occupy HOME-assisted units). Transitional as well as permanent housing, including group homes and Single Room Occupancy (SROs), is allowed. There are no preferences for project or unit size or style.

PROHIBITED ACTIVITIES FOR HOME FUNDS

- **Project reserve accounts:** HOME funds may not be used to provide project reserve accounts (except for initial operating deficit reserves) or to pay for operation subsidies.
- **Tenant-based rental assistance for certain purposes:** HOME funds may not be used as rental assistance in conjunction with the federal Rental Rehabilitation Program (Section 17) to prevent displacements. They also may not be used for certain mandated existing Section 8 Program uses, such as Section 8 rent subsidies for troubled HUD-insured projects.

- **Match for other programs:** HOME Program funds may not be used as the “nonfederal” match for other federal programs *except* to match McKinney Act funds.
- **Operations or modernization of public housing:** HOME funds may not be used to provide annual contributions for the operation of public housing or to carry out modernization activities in public housing. (Public housing is housing established under the 1937 Housing Act. Public housing modernization activities are defined at 24 CFR Part 968.)
- **Properties receiving assistance under 24 CFR Part 248 (Prepayment of Low-Income Housing Mortgages):** Properties receiving assistance through the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) or the Emergency Low Income Preservation Act (ELIHPA) are not eligible for HOME assistance except if the HOME assistance is provided to priority purchasers.
- **Double dipping:** During the first year after project completion, the PJ may commit additional funds to a project. After the first year, no additional HOME funds may be provided to a HOME-assisted project during the relevant period of affordability, *except* that:
 - Rental assistance to families may be renewed.
 - Rental assistance may be provided to families that will occupy housing previously assisted with HOME funds.
 - A homebuyer may be assisted with HOME funds to acquire a unit that was previously assisted with HOME funds.
- **Acquisition of PJ-owned property:** A PJ *may not* use HOME Program funds to reimburse itself for property in its inventory or property purchased for another purpose. However, in anticipation of a HOME project, a PJ may use HOME funds to:
 - Acquire property, or.
 - Reimburse itself for property acquired specifically for a HOME project with other funds.
- **Project-based rental assistance:** HOME funds may not be used for rental assistance if receipt of the funds is tied to occupancy in a particular project. Funds from another source, such as Section 8, may be used for this type of project-based assistance in a HOME-assisted unit. Further, HOME funds may be used for other eligible cost, such as rehabilitation, in example, Section 8 or state-funded project-based assistance.
- **Emergency Shelter** projects are prohibited under HOME funds.

COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

A CHDO is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. Certified CHDOs receive certification from a Participating Jurisdiction indicating that they meet certain HOME Program requirements and therefore are eligible for HOME funding. CHDOs receiving their certification through DHCD are

eligible to receive HOME funds out of the DHCD HOME grant to cover the cost of projects and operating expenses. Technical assistance is also available to those DHCD-certified CHDOs. (CHDO certification may also be accomplished through a locality designated as a CHDO, however, DHCD's HOME funds are available only to those certified through DHCD.)

The funds that have been set aside for CHDO Operating assistance can be used for the organization's operating support in connection with its expenses in developing a project, and some of the set-aside funds can be used for training CHDOs to help build their capacity and longevity. Some of these funds will also be used for training CHDOs to help build their capacity and longevity. Eligible training activities may include the following but are not limited to:

- Becoming legally incorporated and certified as CHDOs
- Developing and sustaining community partnerships
- Raising private funds to match HOME funds, and for operations
- How to provide effective homeownership counseling and training for prospective homebuyers and renters.
- Planning and managing successful real estate projects

For program year 2006-07, DHCD will continue to allocate CHDO Operating Assistance from its 2005-06 program year allocation to this activity.

AFFORDABLE HOUSING PRESERVATION AND PRODUCTION PROGRAM

Program Description

The Affordable Housing Production & Preservation program (AHPP) is an open-submission application process that will be funded from the Commonwealth of Virginia's HOME allocation in 2005-2006. The AHPP program provides flexible, below-market-rate loans to projects that create or preserve affordable housing for lower-income Virginians.

DHCD uses the following avenues to communicate about the availability and the nature of its HOME-funded activities, including other funds linked to the AHPP.

- Annual Governor's Housing Conference;
- Website;
- Participation with various advisory teams and committees;
- Contact lists within the affordable housing development community; and
- Press releases.

HOME funds assigned to the AHPP program are distributed on a first-come first-serve basis to qualified developers of affordable housing, including certified CHDOs undertaking CHDO-eligible activities throughout the Commonwealth of Virginia. All AHPP projects undergo a review by DHCD staff against organizational needs

assessment, and community-specific market studies and non-predevelopment loans are underwritten. All funds are intended for use with other types of financing including, but not limited to, low income housing tax credits, bond financing, and other public and private funds.

AHPP funds are designed to fill the gap in permanent financing to make a project feasible for the creation and preservation of affordable housing for lower-income households. In addition to the CHDO requirement, applicants for AHPP funds must be an owner, developer or sponsor of the project.

AHPP funds are only disbursed at the completion of construction, when DHCD takes out 100 percent of the construction financing. For multifamily construction, DHCD can reserve financial commitments up to two years before a project is completed and HOME funds are requested to take out construction loans. For homeownership projects, HOME funds can be disbursed during the construction phase in three (3) intervals of 30% (based on a matching percentage of completed construction); with the remaining 10 percent disbursed at the issuance of the certificate of occupancy and the submission of the project close-out report.

Project Eligibility

Any entity including private non-profits and for-profit organizations and public housing authorities may apply for these resources via an open submission application process. DHCD intends to serve only those CHDOs serving within state program areas (primarily non-metropolitan communities). Other entitlement PJs will have to certify their own CHDOs and be accountable to ensure they do not exceed funding limits for operating/technical assistance support. In the case of regional organizations (e.g., consortia) comprising communities lying both within the program area of the state and of other participating jurisdiction areas, DHCD would certify only those lying with the state's jurisdiction.

Eligible projects for AHPP program funding include:

- Multifamily housing consisting of five (5) or more attached units developed and secured under one deed;
- Rental housing containing four or more units with no individual structure having more than four attached units; properties can be single-family detached, duplexes, etc.; homes can be scattered-site but should be in reasonable proximity (i.e. neighborhood); and congregate housing and single room occupancies are included in this category;
- Homeownership (CHDO only) is defined as units developed for sale to lower-income, first-time homebuyers. Short-term lease/purchase projects (lease period not more than three (3) years) are considered homeownership projects.

HOME Program subsidies are subject to a maximum per-unit subsidy limit. These limits are based on the Section 221(d)(3) limits for elevator-type projects. The limits are determined by HUD's Office of Multi-Family Housing Programs, and vary by jurisdiction.

Refinancing

The state does **not** intend to use HOME funds to refinance existing debt secured by multifamily housing being rehabilitated with HOME funds. Therefore, it has not adopted guidelines defining the conditions under which it would refinance existing debt. If the state elects to use HOME funds for such a purpose, it will propose guidelines in accordance with 24 CFR 92.206(b). These will address project eligibility, need and feasibility, whether the investment is intended to preserve or create affordable units, the specification of eligible geographic areas, and the prohibition against using HOME funds to refinance multifamily loans for properties made or insured by any federal program, including CDBG.

Funding Thresholds

AHPP funds are available to the extent that a gap exists in the permanent financing for an eligible project and the funding requested has a positive impact on the affordability of the housing provided. DHCD and its underwriters reserve the right to recommend increases or decreases to fund requests based on cash flow, rents, other financing, etc. Generally, however, loans will be limited to \$500,000 per project or the maximum allowed based on maximum per unit subsidies allowable under the HOME program, whichever is the lesser. In tax credit deals the maximum subsidy may be affected by the percentage of federal funds that can be used while remaining in compliance with the requirements of the tax credit program.

Unique Requirements

Successful applicants for multifamily and single-family new construction must submit an analysis relating to site and neighborhood standards. Specifically, an analysis indicating that the proposed project site addresses all of the following elements:

- Is adequate in size, exposure, and contour to accommodate the number and type of units proposed;
- Has adequate water, sewer, gas and electric;
- Has streets available to service the site;
- Is capable of complying with applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063 and implementing HUD regulations;
- Is not located in an area of minority concentration nor is it located in a racially mixed area such that it will cause a significant increase in the proportion of minority to non-minority residents in the area;

- Promotes greater choice of housing opportunities, yet is not resulting in a concentration of assisted persons in an area that already has a high proportion of low-income persons;
- Is not “seriously detrimental” to family life nor characterized by substandard dwellings or other undesirable conditions;
- Will support housing accessible to social, recreational, commercial and health facilities and services that are at least equivalent to those typically found in neighborhoods consisting of unassisted standard housing of similar market rents; and
- Does not impose excessive travel time and cost via public transportation or private auto for low-income workers.

For new construction of multi-family rental housing the Period of Affordability is 20 years. For acquisition combined with rehabilitation of multi-family rental housing, the Period of Affordability is 15 years.

INDOOR PLUMBING REHABILITATION PROGRAM

Program Description

The Indoor plumbing Rehabilitation Loan Program only funds projects in HOME non-entitlement jurisdictions. The IPR Program is limited to 107 eligible cities and counties. The program now has 43 subrecipients serving eligible localities. Subrecipients include local governments, housing authorities, planning district commissions and a range of non-profit organizations covering multiple jurisdictions. This network allows programs to reach into most parts of the state. In order to help serve areas of the state that are not served or are under-served by IPR subrecipients, DHCD now allows subrecipients to “roam to serve units that are completely lacking indoor bathroom outside of the jurisdictions they are contracted to serve.”

The Indoor Plumbing Rehabilitation/Loan Program (IPR) provides 0% interest loans in nonentitlement cities and counties of Virginia to low- and moderate-income (LMI) owner-occupants of substandard housing where indoor plumbing does not exist or where the existing water delivery or waste disposal system has failed. The program also provides for the general rehabilitation of these units, and for accessibility improvements or relief from overcrowded conditions, as needed, once the primary income, ownership and failed plumbing criteria are met.

The Virginia Department of Housing and Community Development initiated the IPR Program and operated it since 1989, using a combination of state appropriations and federal HOME Program funds .

Over the years, the IPR program has evolved the better to meet the needs of its clients and subrecipients, while upholding programmatic regulations and the major

policy guidance of the Board of Housing and Community Development. The Department contracts with subrecipients (local governments, non-profit housing providers, and housing authorities) to provide local administration of the IPR program. The subrecipients are responsible for most program operations including outreach, application intake, beneficiary and property eligibility determination, financial packaging, construction management, and loan servicing. Each subrecipient has direct ties to the community via its local housing rehabilitation advisory board. Each beneficiary household receives training in house maintenance, cleaning, and budgeting.

The key tenets of the Indoor Plumbing Rehabilitation Program are:

- 1) Only owner occupied houses that lack functional indoor plumbing qualify for assistance;
- 2) Program beneficiaries repay loans based upon ability to pay; and
- 3) Self-help and homeownership opportunities create responsibility for ongoing property maintenance and increase wealth for lower-income participants.

DHCD contracts with subrecipients (local governments, non-profit housing providers, planning district commissions and housing authorities) to administer the IPR Program. Each eligible local government has one annual opportunity to designate a subrecipient to carry out the IPR program within its jurisdiction. Each beneficiary household receives training in house maintenance, cleaning and budgeting

DHCD employs a formula based on population, per capita income, household lacking indoor plumbing and overcrowding to allocate funds to each eligible locality. The balance of the funds is placed in an incentive fund. Once a locality's allocation is completely obligated, that locality's subrecipient may go to the incentive fund for additional funding.

If a locality's funding allocation has not been committed or if no subrecipient has been identified, the funding balance reverts to the incentive pool and other subrecipients may be draw from it.

Project/Applicant Eligibility

Locations that are not entitlement-eligible for both CDBG and HOME are eligible for an IPR allocation.

Funding Thresholds

Loan repayments are determined by the homeowner's ability to make payments based on household income, utility costs, and fixed housing costs. Applicants may not pay more than 25 percent of their adjusted gross income for repayment of the loan and other related housing costs. Loans are amortized over a ten-year (120

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month) period. They are secured by a lien on the property, which is proportionately forgiven over the ten-year term.

The cost limits for rehab and for substantial reconstruction assume that the unit in question is a 2-bedroom unit. If the unit to be rehabilitated or the unit at the completion of the substantial reconstruction contains more than two bedrooms, the exception rules apply. Because of the need to maximize production and limit costs, the leveraging of other funds is strongly encouraged especially through participation of the property owner. The following table details cost limits by project type, excluding home maintenance costs:

Project Type Costs	IPR Rehab, Unit Lacking Complete Plumbing	IPR Substantial Reconstruction, Unit Lacking Complete Plumbing	IPR Rehabilitation, Unit Lacking Bathroom	IPR Substantial Reconstruction, Unit Lacking Bathroom
Base cost	\$25,000 maximum	\$35,000 maximum (including bathroom)	\$25,000 maximum (lacking bathrooms)	\$35,000 maximum including bathroom
Exceptions	\$15,000 maximum	\$15,000 maximum	\$25,000 maximum (including bathrooms)	\$20,000 maximum
Admin.	\$ 2,200	\$ 2,200	\$ 3,000	\$ 3,000
CRSC	\$ 2,000	\$ 1,500	\$ 3,000	\$ 1,500
Temporary Relocation	\$ 1,000 maximum	\$ 1,000 maximum	\$ 1,000	\$ 1,000
Total	\$45,200	\$54,700	\$57,000	\$60,500

Under the following circumstances, a base cost of up to \$30,000 will be allowed:

- The subrecipient tests for the presence of lead-based paint, as outlined in the lead related regulations, and all tested surfaces in a unit reveal lead content below the critical regulatory thresholds;
- The subrecipient has at least four (4) licensed lead abatement contractors who are qualified to bid on the job in question; or
- The unit was constructed after 1978.

Unique Requirements

Exceptions allow the subrecipient to commit additional funding, beyond the base contract cost, to the completion of the project. Failure to contract these items separately may result in the ineligibility of the entire project.

Subrecipients may obligate up to 1% of base construction costs per unit, based on actual documented costs, to carry out home maintenance education. The maximum

allowable cost will be \$250 per unit. This per unit cost does not and is not intended to cover staff or rehab specialist time for training delivery. It is intended to cover items such as cleaning kits, tool kits, and handouts.

Demolition costs are “stand-alone” – neither base construction nor exception. Rather, demolition costs are a separate line item, and are to be contracted separately. DHCD has not TO DATE set a cap on per unit demolition costs, although we reserve the right to cap or cut costs if necessary.

HOMEOWNERSHIP ASSISTANCE

Program Description

The HOMEownership Assistance Program (HAP), formerly named the Single Family Regional Loan Fund, operates through local partnerships with governmental entities, non-profit housing service providers, and mortgage lenders across the Commonwealth. DHCD uses a network of grant administrators who conduct intake services, pre-qualification screening for eligibility, and offer housing counseling on a first-come, first-serve basis in various regions of the state. DHCD will continue to use the administrators selected in the 2006 Program Year.

Applicants as Homebuyers

Homebuyers’ participation in this fund will be limited to credit-eligible buyers at or below 80% AMI as defined by HUD based on household size and geographic location of the assisted property. Borrowers with total household incomes in excess of 80% AMI will not be eligible for funding support. Eligible applicants must receive a loan commitment for a first mortgage product approved by Virginia Housing Development Authority (VHDA) or an approved VHDA lender.

Program administrators will receive an allowable processing fee of \$1,500 for each completed activity billable to the HOME program. In addition, the administrator will receive an additional processing fee of \$300.00 for all clients served at 60% or below AMI.

Applicants must be U.S. citizens, other nationals or qualified alien persons and meet eligibility requirements for first-time homebuyers as defined by HUD (purchasers that have never owned a home before, held primary ownership in a principle residence within the most recent three-year period, or displaced homemaker). Other program requirements include the successful completion of a certified Homebuyer Education Course (VHDA or NeighborWorks®), possession of a signed purchase offer for a single-family dwelling and funding commitment, contribution of the lesser of \$500 or 1% of the sales price of the home from their own funds towards the purchase of the home.

Any property that is the subject of a homebuyer's purchase as part of this program must be successfully inspected to meet the HUD Housing Quality Standards, and a complete FHA appraisal must be conducted on all assisted properties. Home values may not exceed 95% of the median sales prices of homes in the area.

Examples of Eligible First Mortgage Products

VHDA SFRLF mortgages
VHDA First Choice mortgages
VHDA Flex/Alt 100
VHDA SPARC mortgages for borrowers up to 80% AMI
BB&T Community Homeownership Incentive Program (CHIP) mortgages
SunTrust 97% Flex mortgages
Fixed Rate FHA 30 Year mortgages originated with a DHCD approved lender
Rural Housing Services Guaranteed or Direct Loans

Other CRA affordable mortgage products approved for use by DHCD that demonstrate interest rates and key terms that benefit the homebuyer throughout the term of the loan: i.e. Community Gold products, 5/1 or 7/1 ARMs used in concert with DHCD 5-Year Deferred Payment Loans and 10/1 ARMs used in concert with DHCD 10-Year Deferred Payment Loans.

Income is derived from any combination of the following:

Wages, salaries, tips, etc.,
Business Income
Interest & Dividend Income
Retirement & Insurance Income
Unemployment & Disability Income
Welfare Assistance
Alimony, Child Support, & Gift Income
Armed Forces Income

Funding Thresholds

Funding for this initiative will be based on DHCD's annual HOME allocation from HUD. Every attempt will be made to identify at minimum one organization per PDC or Continuum of Care to administer DHCD HOME monies at the local level. The amount of each award will be driven by the previous year's performance of the administrator as evidenced by the number of closed loans.

Funding to eligible homebuyers under this program is limited to down payment and closing cost assistance only. Loan packages submitted for funding consideration will not exceed 95% LTV or a CLTV of 108%. Borrowers must meet normal mortgage underwriting criteria which demonstrate creditworthiness and occupy the HOME-assisted property as their primary residence.

Unique Requirements

No monthly repayment is required on the deferred payment loan issued by DHCD.

DHCD will continue to use the administrators selected in the 2005-2006 program year. Administrators will be notified in writing and forwarded a letter of intent and contract to cover homeownership assistance activities beginning July 1 and ending June 30 of the following year. The process and awards shall be contingent upon HUD approval of DHCD's annual Action Plan.

Recapture Option

The housing acquired by homebuyers is subject to recapture restrictions to ensure the family continues to occupy the housing as its principal residence for a period of five to fifteen years, depending on the amount of HOME assistance, or the HOME assistance is recaptured low-income family. DHCD will impose recapture requirements that are established consistent with the standards in §92.254. Under the recapture provision, DHCD will recover a portion of the HOME assistance provided at settlement to the homebuyer if the housing does not continue to be the principal residence of the qualified low-income family that purchased the unit during the **period of affordability** as described in 24 CFR 92.254. For homeownership housing, the family must be low-income and the housing must be occupied as the family's principal residence.

Relocation and Displacement

DHCD will ensure that all reasonable steps are taken to minimize the displacement of persons living in properties that are acquired by HOME funding. DHCD and its subrecipients will ensure that the seller of the acquired property is notified, in writing, that the prospective homebuyer does *not* have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement. The seller must be informed, in writing by DHCD or its subrecipients, of the estimate of the fair market value of the property.

Eligible Properties

HOME-assisted homeownership housing must meet HUD-established guidelines. For acquisition of housing by a homebuyer, the DHCD HOME Program requires the housing to:

- be a single family housing unit;
- have a sales price or value that does not exceed 95 percent of the median purchase price for single family housing in the area;
- be purchased by a family that qualifies as low-income, and that will occupy the

- property as its principal residence;
- remain affordable for a period of five to fifteen years, as described at §92.254(a)(4);
- be subject to either the resale or recapture provisions described at §92.254(a)(5).
-

Manufactured Units:

HUD (24 CFR Part 3280) defines a manufactured home in §3280.2.A manufactured home is built in sections in a factory, possesses a permanent chassis (defined at 24 CFR 3280.902 (a)), and must be designed and manufactured in compliance with the MHCSS. A modular home is built in sections in a factory to meet state, local or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

AMERICAN DREAM DOWNPAYMENT INITIATIVE

The American Dream Downpayment Initiative (ADDI) is administered under the HOME Program. The funds available for this program are in addition to DHCD's yearly HOME Allocation, and effectively increase the availability of funding to dedicate for homeownership programs in Virginia. Some provisions and rules of this program differ from the HOME Program Rules regarding down payment assistance. DHCD is limiting these funds to be used for "first-time" homebuyer activities at a maximum cap of \$10,000 per case.

Program Goal

- Increase the overall homeownership rate, especially among minority groups who have lower rates of homeownership compared to the national average.
- Revitalize, stabilize communities.

Eligibility Requirements

- The focus is on low-income families who are also first-time homebuyers. To participate, recipients must have annual incomes that do not exceed 60 percent of the area median income.
- Under ADDI, a first-time homebuyer is an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with assistance under ADDI.
- Single-family housing means a one- to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.
- Eligible costs included under Virginia's program include downpayment acquisition costs and related reasonable and necessary soft costs.

Applicant Eligibility

Funding is made available and intended to provide mortgages to those households that cannot financially qualify for other mortgage products. The funding is targeted to those households with incomes not exceeding sixty percent (60%) of the area median income (AMI). –

All ADDI funds are reserved for first-time homebuyers who are defined as not having an ownership interest in a primary residence within the past three years. DHCD reserves the right to review all loan applications for primary loans originated by other lenders when ADDI funds are requested. ADDI funds must be in second lien position unless otherwise approved by DHCD.

The homebuyer is expected to contribute the lesser of \$500 or 1% of the sales price of the home from the homebuyer's own funds towards the purchase of the home. The contribution may include fees paid by the borrower at the time of application (appraisal fee, credit report fee) and the earnest money deposit. The homebuyer's required contribution cannot be made by a third party, Regional Administrator or non-profit. All loans will be originated and underwritten using the required contribution.

Because it is difficult to determine the exact amount needed to close a loan, the homebuyer should be notified that they may be required to provide up to an *additional* one-half percent (1/2%) of the purchase price at closing. The Regional Administrator may also allow the final contribution to be as low as one half percent (1/2%) of the purchase price. Funding needs outside of these parameters, either more or less, may require an adjustment in the amount of ADDI funds, not to exceed the program maximums.

Program Administration

- ADDI is currently administered as a part of DHCD's existing HOMEownership Downpayment and closing cost assistance program.
- DHCD has integrated its ADDI funds in partnership with other state resources including the HOME program, and has attempted to give preference to rural areas, special needs populations, and to support home ownership in the state's high-cost areas.
- Families may use the subsidy for down payment assistance, such as closing costs and interest reduction.
- Under the ADDI statute, the amount of ADDI assistance provided to any low-income family cannot exceed the greater of six percent of the purchase price of a single family housing unit or \$10,000.

Formula Allocation Plan

ADDI funding has been allocated to support first mortgage loan resources allocated by the Virginia Housing Development Authority, in conjunction with the traditional HOME funding. For each \$1,000 of leveraged mortgage financing, the HOME Program allocates up to 10% of the sales price. It also provides an additional \$2,500 to cover down payment and/or closing costs in a circumstance where the seller provides no closing cost assistance. After earmarking funds to cover first mortgage loan commitments, additional HOME and/or ADDI monies are awarded to each Regional Administrator. All contract agreements are limited to a one-year term. All unused ADDI & HOME funding available at the program year will be reallocated for use by other Regional Administering organizations; however, these may be extended by written agreement.

DHCD provides ADDI & HOME funds to regional administrators for use as down payment and closing cost assistance. Any structure of HOME funds must comply with the federal HOME Investment Partnership Final Rule at 24 CFR Part 92. Any structure of ADDI funds must comply with the program requirements found at 24 CFR 91.220.

Affirmative Fair Marketing, Fair Housing, Equal Employment Requirements

Based on its experience to date, DHCD anticipates that fifty percent of first-time homebuyers will come from minority populations.

Local partners will be required to uphold all affirmative fair marketing, fair housing, and equal employment practices as outlined in the annual contract agreement and program summary as prescribed below. Local Administrators must undertake one of the activities highlighted below on an annual basis in order to meet the affirmative marketing requirement outlined in their contract agreement. The activity may be any from the following list or it may be one that has been specifically approved by a DHCD Program Administrator.

ACTIVITIES TO AFFIRMATIVELY FURTHER FAIR HOUSING

- Adopt a resolution endorsing the concept of fair housing and advertise its wording through the local media.
- Enact a local fair housing ordinance substantially equivalent to the federal or state law.
- Provide all clients of your organization with a copy of the Department of Professional and Occupational Regulation (DPOR) fair housing brochure, (804) 367-8530 or a brochure from DHCD, (804) 371-7000.
- Attend a Fair Housing workshop. Be aware that two persons from your organization must attend; the Executive Director and at least one Board

member. The workshop must be approved by DHCD. *NOTE: Attending a Fair Housing workshop or seminar may not be used in successive years.*

- Conduct a public educational program for local housing consumers and providers and/or financial institutions regarding fair housing issues and laws.
- Develop or fund a community based fair housing organization.
- Develop a fair housing assistance program to make housing opportunities known to minorities, to monitor compliance, and to refer discrimination complaints to the proper authorities.
- Assess the special housing problems of minorities and women, through surveys, etc., and determine any effects of discrimination. Develop a plan to assist in overcoming these effects.
- Enlist the participation of local realtors, lenders and homebuilders in an agreement and promote affirmative fair housing and review of underwriting/credit criteria. Publish the agreement in the local newspaper.
- Develop a public information network using local newspapers, radio stations, bulletin boards, churches, utility bill mailings, and the like to ensure that all segments of the community are aware of fair housing requirements, especially realtors, landlords, financial institutions, and minority households.

Subordination Agreements and HOME Subsidy Policy

Repayment of the HOME subsidy to DHCD will be required if the homeowner does not occupy the property as its primary residency during the period of affordability as demonstrated in the second deed of trust. Second deeds of trust can only be subordinated to third under the following circumstances:

If the homeowner is refinancing original mortgage to improve the primary mortgage rate by one full point, DHCD will subordinate. Participants may only include their closing cost in the refinancing.

In all cases, loan documentation must be provided to DHCD for advance consideration. DHCD must ensure that all requirements have been met before the new loan closes. The value of liens against the property must not exceed 105% of the property's assessed value. If the borrower pays off the first lien, the second lien will be due and payable; the two loans are connected in this regard.

Repayment of the HOME subsidy to DHCD will be required if the homeowner does not remain the principal resident of the home which was subsidized with HOME dollars for the duration of the HUD-imposed period of affordability.

Homeless and Special Needs Housing

Priority Funding Program – HOME MATCH

HUD's Supportive Housing Program (SHP), as authorized by Title IV, Subtitle C, of the McKinney-Vento Homeless Assistance Act of 1987, as amended, is designed to promote, as part of a local Continuum of Care strategy, the development of supportive housing and supportive services. These units assist homeless persons in making the transition from homelessness and to living as independently as possible.

Funds provided for acquisition, rehabilitation, and new construction through HUD's SHP, must be matched by the recipient with an equal amount of funds from other sources. The cash source may be the recipient, the Federal Government, State and local governments, or private resources. The Virginia HOME Investment Partnership – Match Program (HOME Match Program) provides funds for the required match for projects involving acquisition, rehabilitation, or new construction. These matching funds must be used for bricks and mortar and not for supportive services.

These projects will receive priority in the Housing for Homeless and Special Needs Populations allocation.

Targeted Population

The Supportive Housing Program (SHP) is one of the McKinney-Vento Homeless Assistance Act programs designed to move homeless persons from streets and shelters to permanent housing and maximum self-sufficiency. A person must be homeless in order to receive assistance under SHP. Applicants identify their target population in the initial application. This application is incorporated into the grant agreement and, therefore, guides implementation of the grant. Significant changes to the project must receive prior HUD approval. The category of persons to be served, or target population of the project, is specifically mentioned in the SHP regulations at 24 CFR 583.405.

HOME funds are used as match for Supportive Housing Program projects for facilities to house the homeless. The HOME Match for the Supportive Housing Program offers all or a portion of the required 50% match for the costs of acquisition, new construction or rehabilitation for supportive housing projects in Virginia that are funded through the Continuum of Care Homeless Assistance/Supportive Housing Program.

Funding priority is given to Supportive Housing Program grantees located outside HOME entitlement jurisdictions and consortiums. If requests are significantly greater than the available funds, projects are evaluated through a competitive process. The priority ranking of the project in the local or regional Continuum of Care is considered.

Applicant/Project Eligibility

Eligible applicants are those who received awards through the Continuum of Care Homeless Assistance/Supportive Housing Program for acquisition, new construction or rehabilitation for supportive housing projects in Virginia. All projects must be related to the structures, transitional housing or permanent housing, where program beneficiaries will reside.

Funding Priority

Priority will be given to Supportive Housing Program grantees located *outside* of the following HOME entitlement jurisdictions and consortia: Cities of Arlington, Alexandria, Charlottesville, Danville, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Suffolk, Virginia Beach, and the Counties of Chesterfield, Fairfax, Henrico and Prince William County.

Eligible Activities

HOME match funds may be used for the acquisition, rehabilitation, and/or new construction costs of structures to be used for supportive housing. Costs must be related to the structures, transitional housing or permanent housing where program beneficiaries will reside. Funds for new construction are limited to those projects with less than twelve units. To receive assistance from projects funded under the Supportive Housing Program, the people served must be homeless. However, projects that propose serving other populations may be considered for funding.

Applicants who propose to serve these populations must make clear in their applications that they (a) understand that persons are eligible only if they have no subsequent residence identified and lack the resources and support networks needed to access housing and (b) propose to serve only eligible persons. Applicants that are selected for funding must document how it was determined that such persons did not have the resources or support network needed to obtain housing.

Ineligible Activities

Funds are not available to projects using Home Investment Partnerships (HOME) Program funds through another source (i.e. your local government). Funds are not available for office space, operating costs of supportive housing, including personnel; acquisition, rehabilitation or new construction of facilities where supportive services only are to be provided; or the direct provision of supportive services.

Funding Thresholds

Awards are limited to the lesser of the amount of Supportive Housing Program funds for acquisition, rehabilitation or new construction, or the HOME Program per unit subsidy limits, generally not to exceed \$200,000. Funds for new construction are limited to those projects with less than twelve units. As stated previously, funding priority is given to Supportive Housing Program grantees located outside HOME entitlement jurisdictions and consortiums. To achieve geographic diversity and/or increase the number of projects funded, DHCD reserves the right to award less than the match amount required.

Unique Requirements

Award recipients are required to use facilities, financed in part with HOME matching funds, to house formerly homeless Virginians for a time period mandated by the HOME regulations contained at 24 CFR Part 92. This period, known as the *affordability period*, is determined by the amount of HOME assistance per unit (see the table on pages IV-16).

HOUSING OPTIONS for the HOMELESS and SPECIAL NEEDS POPULATIONS

Program Description

The goal of the Housing Options for the Homeless and Special Needs Populations is to increase available housing with support services to formerly homeless individuals and families and other special needs populations including the disabled, youth aging out of foster care, and ex-offenders. Programs associated with the housing development should encourage the development or continuance of comprehensive self-sufficiency programs.

HOME funds *may not* be used for Emergency Shelter projects. HOME funds *may* be used for transitional housing, individual efficiency units (IEU) and other types of supportive housing projects.

Project/Applicant Eligibility

Eligible applicants for the funding are nonprofit organizations, units of local government and public housing authorities who currently provide, or plan to provide, shelter and services to homeless individuals or families and other special needs populations.

Funds may be used for any of the following in accordance with the identified need and the scope of the planned project:

- Rehabilitation of existing properties to address accessibility, safety and compliance with requirements of the Uniform Statewide Building Code;
- Purchase and/or rehabilitation of residential and non-residential properties into single room occupancy, supportive housing or transitional housing facilities;

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- New construction of facilities including the including the costs of land acquisition, construction (new construction includes “additions” built on to an exterior wall of an existing facility);
- Refinancing of a mortgage on an existing facility; and
- Acquisition of a facility that is presently operating as an emergency or transitional housing shelter.

Occupancy Requirements

Funds may be used only to provide residential facilities for low-and-moderate income families. All project sponsors will be required to reserve one- hundred percent (100%) of the beds assisted with shelter support funds for homeless persons or other targeted populations with incomes below 80% of the area median income, as published by the U.S. Department of Housing and Urban Development.

Ineligible Activities

Funds may not be for luxury improvements, construction or rehabilitation prior to the approved project period, construction or rehabilitation that is unrelated to the emergency shelter or transitional housing facility, construction or rehabilitation for facilities that do not provide residential accommodations, or operational and administrative expenses.

Funding Thresholds

Generally, the maximum funding assistance per project is \$200,000; however, exceptions can be made based on the availability of HOME funds. Under no circumstances will the shelter support award exceed the actual eligible cost of the project.

Unique Requirements

The program is designed to finance the capital costs of housing with supportive services for homeless persons and other special needs populations. The supportive services provided should be specifically oriented to meeting the identified needs of the targeted population. Applicants must provide a complete description of the services that will be offered to the proposed target population. While DHCD will evaluate the proposed services as a part of the application review process, no services will be funded with the shelter support funds.

COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS OPERATING ASSISTANCE (CHDO OPERATING ASSISTANCE)

Program Description

CHDOs that are certified by DHCD as a “state-certified” CHDO are eligible to apply for CHDO Operating Assistance funds. CHDO Operating Assistance is based on the development of a specific project. In other words, a project must have been identified and “ready” to commence at the time the CHDO Operating Assistance is requested, or that the work will commence within 24 months of executing the agreement to accept the CHDO Operating Assistance. Operating Assistance funds provide operating support to secure the technical assistance and training necessary to obtain Set-Aside funds that are specifically earmarked for CHDO projects that provide affordable housing. Further, it is important to understand that these funds are intended to provide general operating support during the development and construction of CHDO Set-Aside funded affordable housing projects. This funding support program is intended to assist organizations that can demonstrate a need for operating support. The applicants must comply with HOME rules and regulations.

Project/Applicant Eligibility

The program funding window is open until funds are depleted.

The following guidelines apply:

- Applicant must be certified by the state to work in the area where the project is located;
- Applicant’s funding may not exceed five projects;
- Applicant must possess a demonstrated history of serving the area or community within which HOME-assisted housing will be located (usually this is evidenced by documentation of a minimum of one year of experience of service;
- Applicant must provide a evidence of their AHPP loan commitment from DHCD; and

Funds may be used for operational expenses as follows:

- Salaries, Wages, and Benefits;
- Rent and Utilities;
- Training and Travel;
- Technical Assistance;
- Equipment and Supplies;
- Internet Access and Communications; and
- Contracted Professional Services.

Funds may not be used for costs associated with the actual project. The term of the grant agreement is 12 months with options for 12- month extensions for each project.

Funding Thresholds

There is no CHDO set-aside for 2006 because program year 2005 funds are still available for this open-window funding. An organization may receive the greater of

\$50,000 or 50% of their operating budget for the year in which the application is made. The funds are made available to state-certified CHDOs on a first-come first-serve basis.

Unique Requirements

The program requires a 25% cash match, which may be met by local government, state government, or private funds. The match must be applied to operating expenses. Funds received for administering other programs may not be used as match. The applicant must have at least 25% of the total cash match requirement on hand at time that the grant agreement is executed. A source document must be submitted along with the application to verify the availability of funds.

Paid invoices must be submitted with each programmatic and financial report in order to receive funding draws. Paid invoices will be reimbursed at a rate of 75%. The remaining 25% will be held back and represents the applicant's portion of the cash match.

Applicants are required to submit a work plan with organizational and project milestones. For funds used to support salaries, the applicant will be required to provide evidence of sound employment practices which include copies of employment policies, job descriptions, and resumes and credentials of employees. Applicants receiving Operating Assistance will be required to provide copies of approved conflict of interest and procurement policies, participate in the Consolidated Planning Process, participate in a minimum of one fair housing activity every year, and submit a Comprehensive Organizational Plan with annual updates.

Virginia's 27 Certified CHDOs emphasize assisting in the development of decent, affordable, safe, accessible and quality structures for the underserved areas in the state as well as for the areas where low to very low-income persons face severe affordability barriers.

E. HOMELESS AND SPECIAL NEEDS ACTIVITIES

The Department of Housing and Community Development administers program funds from both federal and state sources directed toward improving the quality of existing shelter and transitional housing facilities and supportive services.

Additional funding from the Temporary Assistance to Needy Families (TANF) program, which first became available in January 2001, has provided supportive services and operations addressing the needs of homeless persons, supplementing state general fund appropriations. Budgeted amounts from this source have fluctuated over the past three years. In addition, the General Assembly is currently

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budgeting \$4.5 million in state general funds to support homelessness prevention activities through the Homeless Intervention Program (HIP) during state FY 2006.

Information developed during the 2001 Housing Needs Assessment process suggests that many of the housing needs of the aging, the disabled, and other populations with special needs may increase in absolute, if not relative, terms in the future. DHCD will continue to explore additional opportunities to participate with other agencies and groups in finding ways to prepare for and meet these expanding needs and their relationship to supportive services. The *Olmstead* Task Force completed its work during 2003 and adopted a series of recommendations, including several intended to address the provision of supplies of affordable and accessible housing adequate to assure that persons with disabilities can live as independently as possible within the communities of their choice. The Olmstead Community Integration Implementation Team is taking the next steps in the Olmstead Process, preparing a series of yet more specific actions that the state can take to operationalize the recommendations of the Task Force. The Disability Commission, which was reauthorized during the 2004 legislative session, continues to pursue the implementation of recommendations addressing the housing needs of people with disabilities and continued to work with DHCD, consultants, and other agencies calling attention to those needs and recommending possible response to them.

In response to a 2005 amendment to Budget Item 298, the legislature authorized a study requiring the Secretary of Health and Human Resources, with the help of the Olmstead Advisory Committee and the DHCD, to report to the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2005 on the demand for housing services for persons with disabilities and the specific housing options that should be considered by the General Assembly. A copy of that report is provided in the Appendixes to this plan.

F. OTHER HOUSING AND COMMUNITY DEVELOPMENT ACTIONS

Coordination with Low-Income Housing Tax Credits

VHDA is responsible for the administration of federal Low-Income Housing Tax Credit (LIHTC) in Virginia. LIHTC will continue be used with VHDA taxable and tax-exempt bond issues, the VHDA Housing Fund, the Virginia Housing Partnership, Community Development Block Grant (CDBG), and the HOME Investment Partnerships Program to develop multi-family rental housing. The two agencies have committed to coordinate the use of these resources to the greatest extent possible. As part of this commitment, Virginia statutes and the implementing regulations promulgated by DHCD for the state Low Income Housing Tax Credit firmly tie it to the federal credit. VHDA and the Virginia Department of Taxation cooperate with DHCD in implementing this program.

Barriers to Affordable Housing

In the coming year, the State will take the following steps to address regulatory barriers to affordable housing:

- Continue to coordinate project funding through various sources in a way that will reduce nonessential duplicative requirements.
- Continue to administer a Uniform Statewide Building Code (USBC) that emphasizes the attainment of public health and safety goals for new construction and maintenance at the least cost consistent with those goals.
- Initiate the process for promulgating the next edition of the USBC to incorporate provisions of the 2003 International Building Code.
- Offer training through the Building Code Academy that focuses on the provisions of the USBC that facilitate the maintenance, rehabilitation, development and reuse of existing buildings in accordance with those provisions.
- Promote the use of varied types of single-family dwellings in areas zoned agricultural and residential.
- Continue to scrutinize state enabling legislation, local land use ordinances, and introduced legislation with the potential to affect the production and preservation of affordable housing.
- Recommend support for legislation with the potential to increase housing affordability.
- Continue to consult with the homebuilding industry, local governments, and affordable housing advocates in considering the potential impact of state statutes and state and local regulations on affordable housing.
- Participate in the working groups of the Virginia Housing Commission that are focusing on the development of a statewide housing policy, including such issues as affordability, community revitalization and blight removal.
- Pursue homeownership initiatives underway at the Department that assist lower-income households for the purchase of their first home.

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- Develop strategies, in consultation with the Virginia Housing Development Authority, to create and implement programs to meet the housing needs of persons released from federal, state, or local incarceration.

Reduce the Number of Poverty Level Families

DHCD will promote and coordinate housing services with activities that help reduce the number of poverty-level families in Virginia. Virginia continues to pursue several economic development initiatives that, like economic development and self-help portions of the CDBG program, are also intended to strengthen local economies, increase employment opportunities, and enhance business opportunities, particularly within lower income communities or portions of communities. These include the following:

- The **Virginia Enterprise Zone Program** offers state incentives for businesses hiring and investing in distressed communities and areas of the state that have lagged behind the overall growth of the State's economy. The recently reauthorized program, which will use grants rather than tax credits as an incentive for investment in economically distressed communities, targets localities whose relative levels of employment, income, and other indicators are to be considered in determining the designation of future zones.
- The **Virginia Enterprise Initiative**, which leverages private sector support for community-based micro enterprise (self-employment) programs; these programs in turn provide access to capital and business skills to aspiring low-income entrepreneurs.

Interagency and Public Entity Coordination

DHCD will continue to work with a variety of state and federal agencies in the implementation of all of its Consolidated Plan priorities. State agencies include the Virginia Housing Development Authority (VHDA), the Virginia Housing Commission (VHC), the Virginia Department of Taxation (TAX), the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS), the Department of Social Services (DSS), VDA, and the Department of Rehabilitative Services. Federal agencies include Department of Energy (DOE), HUD, the Appalachian Regional Commission (ARC), and the Rural Development Administration (RDA) of USDA. These agencies will be invited to participate in the review of input from focus groups, as appropriate, and the development of the draft priorities and objectives. At the local level, DHCD anticipates working with public housing authorities and units of local government.

One of the priorities identified in the State's Consolidated Plan is to "Develop partnerships at the State, local, community and regional levels that facilitate coordinated use of resources and shared accountability." This priority will guide the

development and implementation of housing and community development programs to the extent possible.

Public Housing Agency Assistance

The public housing authority profiles currently posted on the Public and Indian Housing section of the HUD web site do not indicate that any Virginia public housing authorities are reported as having a “troubled” status. Housing authorities within two entitlement localities are listed as having substandard physical facilities. Local housing authorities are established through the auspices local government, subject to state enabling legislation. In the event that an authority whose service area is not entirely contained within a locality that must prepare a consolidated plan is determined to be troubled, DHCD would be prepared to offer technical assistance focused on those areas of deficiency contributing to the designation with the intention of assisting in removing the designation. This would be analogous to DHCD’s history of offering technical or administrative assistance to local grantees in such federal programs as lead hazard reduction. In addition, in recent years, the state government has modified various provisions of the housing authorities law to facilitate changes needed in the operations or administration of local authorities.

Appalachian Regional Commission Coordination

Administer approximately \$2.5 million in Appalachian Regional Commission funding during state FY 2006 for projects targeting at least one of the four ARC goal areas:

- Economic Development
- Educational and Health Capacity
- Infrastructure
- Appalachian Development Highway System

Virginia uses Appalachian Regional Commission (ARC) Program funds to foster economic development and improve the quality of life for residents of Appalachian Virginia. The Program assists the long-term development of a chronically depressed region encompassing 23 counties and 7 independent cities in Southwest Virginia. Special efforts address assistance to one designated distressed county (Dickenson). Local Planning District Commissions (PDCs) provide local participation in the ARC program, providing technical assistance to localities and organizations in its district. The largest portion of Virginia’s ARC Funding is available to Appalachian region localities through the Area Development Program. Projects may address any eligible goal area, but most recipients use them to fund projects providing infrastructure, such as water or sewer systems, or to improve local economies.

ARC occasionally develops special Initiatives that focus on an aspect of a particular ARC goal area. ARC allocates funding, generally annually over a three- year period, to each of the 13 states in the ARC region to implement these Initiatives. In 2005,

two new programs, the Asset-Based Development Initiative (ABDI) and the Telecommunication Initiative (TI) replaced the previous Entrepreneurship and Telecommunications Initiatives. In each of these outcome-based programs, the state takes on the role of investor. Up to \$165,000 in funding was available for ABDI and \$135,000 for the TI program. The former program provides funding for projects that address the promotion of cultural assets, natural assets, leadership/community assets, structural assets relating to the existing built environment, or business and economic assets. The TI focuses on telecommunications planning, system development and technical support, and implementation.

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G. PROGRAM SPECIFIC REQUIREMENTS

State Method of Distribution

Program	Fund Distribution Method	Minimum	Maximum
CDBG	Competitive	\$7,268,011	\$15,718,011
	Non-Competitive	\$0	\$4,514,849
	State Administration	\$0	\$391,379
	State Technical Assistance	\$0	\$195,689
ESG	Competitive		\$0
	Non-Competitive	\$1,492,840	\$1,492,840
	State Administration		\$78,570
HOME Including ADDI	Competitive		\$0
	Non-competitive	\$	\$13,419,314
	State Administration		\$1,400,000
HOPWA	Competitive	0	\$0
	Non competitive	0	\$599,460
	State Administration		\$18,540

FEDERAL SHELTER GRANT PROGRAM (FSG)

Program Description

The federally-funded Federal Shelter Grant provides funding to emergency shelter and transitional housing programs. The Federal Shelter Grant provides shelter maintenance, operation, essential services and administrative funding in non-entitlement areas of Virginia.

The Federal Shelter Grant (FSG), authorized by the Stewart B. McKinney Homeless Assistance Act, is funded through an appropriation from the U.S. Department of Housing and Urban Development and administered by the Virginia Department of Housing and Community Development (DHCD). The required state matching funds are provided by the State Shelter Grant Program through and appropriation from the Virginia General Assembly and administered by DHCD.

The goal of the Federal Shelter Grant is to assist homeless families and individuals by providing shelter and services at emergency and transitional housing facilities in Virginia. The primary objective of the program is to provide federal funding to emergency shelters and transitional housing facilities based on the number of eligible

beds available to serve the homeless and to be used for operations, maintenance costs, supportive services, and administrative costs (salaries may not exceed 10% of the award).

Project/Applicant Eligibility

Eligible applicants for FSG are nonprofit organizations, units of local government and public housing authorities who currently provide, or plan to provide, shelter and services for homeless individuals or families in Virginia.

FSG funds may be used for any of the following activities:

- staff costs, not to exceed 10% of the total FSG award
- payment of shelter maintenance, operation (including administrative expenses but excluding staff costs), rent, security, fuels, insurance, utilities, and furnishings for emergency shelters, winter shelters, day shelters, and transitional housing facilities.

Ineligible Activities

FSG funds may not be used for any of the following activities:

- persons who are not homeless
- prevention activities
- emergency shelter when payment or compensation is required
- transitional housing or any other housing for the homeless if:
 - the applicant receives a HUD supportive housing grant, Section 8 Program Subsidy, or any other government rental subsidy to operate the facility
 - rents charged exceed 30% of the resident's income
 - the total annual income from rents exceeds 50% of the last year's total budget for the transitional housing program
- staff costs exceeding 10% of the award
- purchase of real property
- building conversion or shelter renovation or rehabilitation, or repair, or the costs associated with these activities
- the provision of beds for which third party payments are received
- costs associated with audits
- purchase of computers
- travel or staff training.

Funding Thresholds

The maximum funding assistance is determined through a "per bed" method. Per bed award amounts were based on a formula calculation and the numbers of eligible FSG beds that project sponsors have available to serve the homeless.

Unique Requirements

Occupancy Requirements

FSG funds may be used only to provide shelter and services for persons who are homeless.

Housing Opportunities for Persons with HIV/AIDS (HOPWA)

Method of Distribution of HOPWA Funds

DHCD will issue a Notice of Funds Availability with a Request for Proposal due May 7, 2006, which was posted March 13, 2006. The NOFA methods of distribution include the posting and advertising of its Notice Of Funds Availability (NOFA) on DHCD's website and an E-mail notification to current HOPWA program administrators.

Criteria for Awarding Grants Funds

DHCD's criteria for awarding HOPWA funds consist of a 100 point (maximum) evaluation system. DHCD's grant evaluation process for HOPWA funding will consist of a joint session to include members of Virginia Department of Health to access each applicant's level of proposed support services activities and DHCD staff who will access the applicant's capacity to administer proposed eligible housing activities. DHCD will award funding under each proposed eligible activity based on the applicant's: a) experience in administering housing and support services to low-income persons diagnosed with HIV/AIDS and their family members, b) prior year performance outcomes (if applicable), c) detailed assessment of its locality's housing and support services need, d) coordination among mainstream housing and support services agencies, e) capacity to administer the proposed eligible activities, and f) feasibility of its proposed strategy for the administration and implementation of its proposed activities.

DHCD will provide a list of selected agencies and funding levels to HUD by July 1, 2006.

Program Description

HOPWA offers grants to AIDS Service Organizations (ASOs), local departments of government and health, Community Services Boards, local public and assisted housing authorities, and 501(c)(3) nonprofit housing organizations to carry-out the following eligible activities: acquisition, rehabilitation, new construction, leasing, operation of housing facilities, emergency short-term rental, mortgage, and utility assistance, tenant and project-based rental assistance, housing information, resource identification, and supportive services (to included,; but not limited to: case

management, health, mental health, assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, personal assistance, nutritional services, intensive care when required, and assistance in gaining access to local; state; and federal benefits) for Virginia citizens who are low-income persons diagnosed with HIV/AIDS and their families.

Applicant/Project Eligibility

Eligible applicants for HOPWA are nonprofit organizations, local government agencies, public and assisted housing authorities, governmental health, and human service agencies that provide housing and support services to Virginia citizens who are low-income persons diagnosed with HIV/AIDS and their family members.

Eligible applicants for HOPWA are nonprofit organizations, local government agencies, public and assisted housing authorities, governmental health, and human service agencies that provide housing and support services to Virginia citizens who are low-income persons diagnosed with HIV/AIDS and their family members.

HOPWA funds are limited to jurisdictions outside of the three Eligible Metropolitan Statistical Areas (EMSA) of Northern Virginia-Washington D.C., Newport News-Virginia Beach, and Richmond-Petersburg. DHCD allocates funds to six geographic service regions: Southwest, South Central, Northwest, Eastern, Eastern Shore, and the Middle Peninsula.

- **Southwest Region:** The Counties of Lee, Scott, Wise, Dickenson, Russell, Washington, Smyth, Tazewell, Bland, Wythe, Grayson, Carroll, Patrick, Henry, Pittsylvania, Campbell, Craig, Roanoke, Botetourt, Alleghany, Floyd, Pulaski, Buchanan, Amherst, Appomattox, Montgomery, Franklin, Giles, Bedford and Halifax, the Cities of Bedford, Bristol, Covington, Danville, Galax, Lynchburg, Martinsville, Norton, Radford, Roanoke, and Salem and the Towns of Clifton Forge and South Hill.
- **Northwest Region:** The Counties of Augusta, Albemarle, Bath, Caroline, Culpeper, Fluvanna, Frederick, Greene, Highland, Louisa, Madison, Nelson, Orange, Page, Rappahannock, Rockbridge, Rockingham, and Shenandoah, and the Cities of Buena Vista, Charlottesville, Harrisonburg, Lexington, Staunton, Winchester, and Waynesboro.
- **South Central Region:** The Counties of Amelia, Brunswick, Buckingham, Charlotte, Greensville, Lunenburg, Mecklenburg, Nottoway, and Prince Edward, and the City of Emporia.
- **Eastern Shore Region:** The Counties of Accomack and Northampton.

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- **Middle Peninsula Region:** The Counties of Essex, King George, Lancaster, Middlesex, Northumberland, Richmond, and Westmoreland,
- **Eastern Region:** Southampton County and the City of Franklin.

Funding Thresholds

Each year DHCD establishes regional funding targets using an “estimated need” that allocates 80 percent of program funds on the basis of the cumulative number of HIV and AIDS cases, excluding the deceased, reported to the Virginia Department of Health by local governments within in each of these regions. DHCD allocates the remaining 20 percent of HOPWA funds based on each designated region’s proportion of the land area in the balance of state.

The state HOPWA program currently encompasses 31,749 square miles. Based on surveillance data from the Virginia Department of Health through December 28, 2004, 3,707 persons were residing in one of the 92 localities under the state HOPWA program when their first positive HIV antibody test was performed or when they were first diagnosed with AIDS. These statistics are based on the cumulative, unduplicated number of living persons with HIV and/or AIDS reported per locality since 1989 and 1982 respectively. Overall, the cases distributed across the current state HOPWA geographic service area account for 17% of all cumulative cases of HIV/AIDS in Virginia.

The Department will deduct from the State's allocation the allowable 3 percent for administration. These funds will be used to pay staff costs associated with administering the HOPWA grant (including travel costs for required site visits, technical assistance, training, and other materials directly related to the program).

Unique Requirements

- a) The HOPWA program year will coincide with the state fiscal year beginning July 1st and ending June 30th.
- b) All approved eligible applicants shall be required to enter into a contractual agreement with DHCD.
- c) All approved eligible applicants shall be required to submit to DHCD a Consolidated Annual Performance and Evaluation Report (form HUD-40110-D) prior to the execution of the grant agreement and at the close-out of the grant agreement.
- d) All approved eligible applicants shall be required, 30 days after the close-out of each fiscal year (June 30th) to submit a Housing Opportunities for Persons with AIDS (HOPWA) Annual Progress Report (form HUD-40110-C).
- e) All eligible applicants shall be required to participate in all technical assistance training administered through the U.S. Department of Housing and Urban Development and/or DHCD.

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- f) All approved eligible applicants shall be required to adopt a support services funding cap not exceeding 35% of its project budget.
- g) All approved eligible applicants shall be required to adopt a housing assistance budgetary funding level of 65%.

Community Development Block Grants (CDBG)

Method of Distribution and Criteria for Awarding Grants

Funding available for Competitive Grants will be awarded following a careful evaluation of all proposals received or postmarked by the March 22, 2006 deadline. Community Economic Development Fund, Community Development Innovation Fund, and the Construction-Ready Water and Sewer Fund projects will receive funding on an open, first-come, first-served basis between January 2, 2006 and September 29, 2006. Urgent Need Open Submission Projects will receive funding on an open, first-come, first-served basis between January 2, 2006 and October 31, 2006. Projects will be funded to the extent of the respective funding caps.

After September 29, 2006 funding remaining unobligated for Community Economic Development Fund, Community Development Innovation Fund, Disaster Recovery Fund, Lead Paint Demonstration Fund, and the Construction-Ready Water and Sewer Fund projects will be committed until December 31, 2006 to Self-Help projects, demand permitting, Planning Grants, demand permitting, to Urgent Need Open Submission projects, demand permitting, to the next highest ranking 2004 Competitive Grant project, demand permitting, to Administrative Bonuses, demand permitting, and to projects with Letters of Intent. Funding recaptured through the closeout of older Community Improvement Grant projects or that is returned to DHCD as Program Income may also be committed to funding additional Competitive Grant, Planning Grant or Self-Help projects.

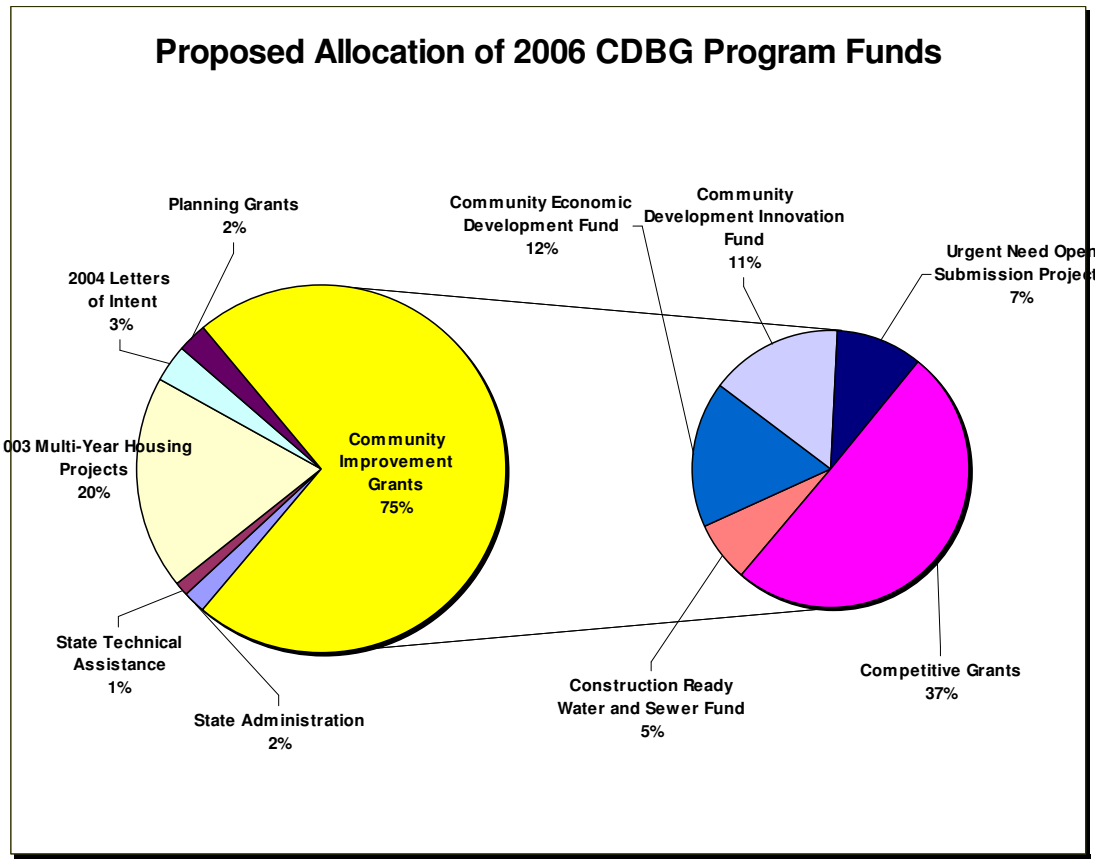
Planning Grants will be awarded on an open basis between January 2, 2006 and September 29, 2006.

Proposed Allocation of 2006 CDBG Program Funds

Anticipated Allocation plus Estimated Recaptured Funds	\$20,119,918
Use Category	Allocation
State Administration	391,379
State Technical Assistance	195,689
2004 Multi-Year Housing Projects	3,814,849
2006 Letters of Intent	700,000
Planning Grants	500,000
Community Improvement Grants	14,518,001

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Construction Ready Water and Sewer Fund	1,000,000
Community Economic Development Fund	2,500,000
Community Development Innovation Fund	2,250,000
Urgent Need Open Submission Projects	1,500,000
Competitive Grants	7,268,011



GENERAL POLICIES

NATIONAL OBJECTIVES

All proposals and all project activities must address one of the three national objectives

- Activities benefiting low- and moderate-income persons
- Activities which aid in the prevention or elimination of slums or blight
- Activities designed to meet community needs having a particular urgency

ELIGIBLE LOCALITIES

Non-entitlement units of local government are the only eligible recipients of Virginia CDBG funding. These local governments may contract with Planning District

Commissions, non-profit organizations, and other competent entities to undertake project activities.

ELIGIBLE ACTIVITIES

All activities listed as eligible in the Community Development Block Grant regulations under 24 CFR Part 570, Subpart C are eligible for funding under the Virginia CDBG Program. These regulations are available via the World Wide Web at the following address: <http://www.access.gpo.gov/nara/cfr/cfr-table-search.html>.

Note that the state does **not** intend to help nonentitlement units of general local government apply for guaranteed loan funds under 24 CFR Part 570, subpart M. Therefore, it has not developed provisions addressing guarantee amounts or the selection of applications for such assistance. Similarly, although eligible grantees may undertake activities that include some revitalization activities, the state has **not** elected to allow units of general local government to carry out community revitalization strategies and thus has not developed a process or criteria for approving local government's revitalization strategies.

CITIZEN PARTICIPATION REQUIREMENTS

Applicants must provide citizens with an adequate opportunity to participate in the development of proposals for CDBG assistance, particularly Community Improvement Grant proposals. Notwithstanding important, ongoing, informal organizational efforts, each applicant for Community Improvement Grant funding must hold two public hearings to notify citizens of details of its past use of CDBG funding and of the activities, level of funding, and level of benefit targeted by its current application. In regional proposals, all participating local governments must hold these public hearings. Formal citizen participation requirements are further detailed in the Virginia Community Development Block Grant Citizen Participation Plan for Local Government Applicants.

MULTI-CONTRACT LIMITATIONS

Annual requests for CDBG assistance far exceed available funding. CDBG assistance targets localities where projects will have the greatest impact on significant community development needs; however, localities with multiple current contracts for CDBG assistance will not receive additional assistance until the activities under the old contracts have been completed.

Localities are limited to \$2.5 million in open CDBG contracts. Open contracts are those in which all required funding has not been expended, all contractual obligations have not been met, and/or required closeout forms have not been submitted to and physically received by DHCD. Competitive grant applicants must have received administrative close-out from DHCD on any open grants by March 1 of the year for which they are applying for funding in order for the open grant NOT to count against the limit. This means that all CDBG-funded activities must be complete and all CDBG funds must be drawn down and spent. This limitation applies to Community

Economic Development Fund contracts, Urgent Need Open Submission contracts, Planning Grant contracts, and Community Development Innovation Fund contracts. Contracts for Self-Help and Lead Paint Demonstration Fund projects are exempt from the \$2.5 million limitation.

At its discretion, DHCD *may* grant a temporary waiver of the cap limit to a locality that finds itself in a position to apply for a critical Urgent Need Open Submission or Community Economic Development project but that is currently at or near the \$2.5 million limit. The locality should contact DHCD to discuss a possible waiver prior to submittal of the proposal. If the waiver is approved, the Urgent Need or Community Economic Development funds will count towards the cap limit once other CDBG projects are closed.

In cases where project activities encompass two or more localities, at least 65% of the project funds must be spent in the applicant locality. CDBG funds will be attributed to each participating locality based on the proposed activities; each locality will be held to the \$2.5 million limit on open CDBG contracts.

REGIONAL PROJECTS

One local government must be designated the lead locality for regional projects. Before receiving a contract with DHCD, the lead locality and all participating localities must enter into a legally binding cooperative agreement to ensure equitable project implementation and compliance with all applicable regulations. Most project types may be considered regional if the planning or implementation activities occur in or concern each of the participating localities. Regional projects targeting physical improvements must be contained to a single area that includes portions of adjacent CDBG-eligible localities. Each locality participating in a regional project will be held responsible for having dollar value capacity under the Multi-Contract Limitations.

All regional projects are limited to the grant maximum listed for that project type, except Community Improvement Grants for regional infrastructure. Regional infrastructure projects are limited to \$2,000,000 of VCDBG assistance. These projects will be considered regional in the event that the involved localities are either creating a new entity to manage the infrastructure system or are combining systems under a single entity. Projects that simply extend utility lines from one jurisdiction to another or create interconnections between currently existing systems will not be considered regional.

Regional infrastructure projects must document:

- A significant need to be addressed through services within each locality's borders for the benefit of its residents, including investment by each locality,
- Equity in rates charged to users who are directly benefited by the CDBG investment,
- Assurances that system improvements will be adequately maintained; *AND*,

- Consolidation of two or more existing utility systems into a single operating entity, such as a Regional Service Authority, or creation of a new operating entity that serves the region with at least 51% of CDBG expenditures devoted to new service or a significant upgrade in service.

PROGRAM INCOME

Income generated by a CDBG project is Program Income and must be returned to DHCD except in cases where a Program Income Plan has been approved. These Plans will, in general, only be approved when the income will be reinvested in the same activity that generated the income and in the same geographic location from which it was generated. Program Income received by DHCD will be used to fund additional eligible VCDBG projects.

CONTRACT NEGOTIATION

Following announcement of the award of a grant, DHCD will schedule a Contract Negotiation Meeting with a locality to discuss further the terms of the grant offer and to identify actions which must be taken by a locality, generally within a 90 day period, in order to receive a contract from DHCD. Failure on the part of a locality to complete identified actions will result in revocation of a grant offer by DHCD. Such actions typically include, but are not limited to, completion of Federal requirements, drafting and execution of other contracts and agreements, resolution of issues from previous contracts with DHCD, and completion of certain management planning activities.

FACILITY CONTROL

Any facility built or improved with VCDBG funding must be controlled for at least 20 years through ownership or lien by the local government and maintained for the intended use OR the facility or the amount of VCDBG funding invested in the facility must be returned to the local government for use in other DHCD authorized VCDBG-eligible activities.

ANTI-DISPLACEMENT

Localities must minimize the displacement of individuals, families, businesses, organizations, and farms in implementing projects using CDBG funding. This includes direct displacement resulting from real property acquisition, rehabilitation, demolition, and conversion and any indirect displacement.

Localities targeting Community Improvement Grant funding must certify that displacement will be minimized at the local level and that a Residential Anti-displacement and Relocation Assistance Plan will be followed that includes a one-for-one replacement provision. Each recipient of Community Improvement Grant funding must provide financial benefits and advisory services to any individual or entity involuntarily and permanently displaced because of a CDBG-assisted activity. This assistance must be provided on an equitable basis.

ACQUISITION

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Applicants must follow proper federal regulatory procedures when acquisition is identified as a potential project activity and CDBG funds will be used. CDBG funds will only pay up to the fair market value established by a formal appraisal and review appraisal.

PROJECT ENHANCEMENTS

Additional funding of up to 10% or \$100,000 of the VCDBG award *may* be made available to Community Improvement Grant projects for project enhancements. The provision of funding for enhancements may be included in CIG proposals and budgeted accordingly or discussed at the contract negotiation meetings following the announcement of CIG awards. Funding will only be authorized for the actual costs of those enhancements that will be consistent with and add measurable value to the original CIG activities. Examples of possible enhancements include the provision of construction skills training to residents of a neighborhood targeted by a Comprehensive project, the creation of a homeownership program in support of a Housing Rehabilitation project or the addition of an entrepreneurial component, such as a micro-loan fund, in a Business District Revitalization project

PROJECT ADMINISTRATION

VCDBG funding may be used to cover administrative costs in Community Improvement Grants of all types. VCDBG-eligible administrative costs are limited to 10 percent of the total VCDBG award with limits depending upon project type. Such costs are limited to:

Project Type	Limits
Community Facility—Competitive Grant	\$50,000
Business District Revitalization—Competitive Grant	\$80,000
Community Service Facility—Competitive Grant	\$60,000
Community Development Innovation Fund (except CDVC Fund)	\$60,000
Community Economic Development Fund and Competitive Economic Development Grants	\$50,000
Urgent Need	\$50,000
Housing—Competitive Grant	\$80,000
Two-Activity Comprehensive—Competitive Grant	\$80,000
Three-Activity Comprehensive—Competitive Grant	\$100,000
Regional Community Facility Projects—Competitive Grant	\$60,000
Construction-Ready Water and Sewer Fund	\$20,000

Administrative cost targets may be modified during contract negotiations. VCDBG funding generally may not be used for administrative costs in Planning Grant projects unless the locality receiving the Planning Grant award has never received prior VCDBG assistance.

Administrative Bonus:

A 10% administrative bonus, over and above the limits expressed for each project type, is available to Comprehensive, Downtown and Housing Rehabilitation projects when these projects are completed within the original contracted period of time. Any extension to the original contract date will render the project ineligible for receipt of the 10% administrative bonus. The administrative bonus will be drawn from:

1. Funds leftover in the grant at closeout of the grant; or, should no such funds be available,
2. Returned funds to the Virginia CDBG program during the program year in which the project was completed.

Completion of a project is defined as having all work 100% complete at the original termination date of the contract. In projects where housing rehabilitation and/or façade improvements are a component, the housing/façade program must be complete with no more work scheduled and no more demand for work to be done. In such cases, 90% of all housing/façade work must be complete in order for the locality to claim the project is complete and therefore access the administrative bonus. The funds may only be expended on eligible CDBG administrative or construction cost items.

PROJECT MODIFICATIONS

DHCD reserves the right to adjust requests for VCDBG assistance and the terms of this assistance to optimize the provision of benefits, ensure that activities and improvements are eligible for VCDBG assistance, and otherwise promote efficient utilization of available funding.

LETTERS OF INTENT

For projects where it is apparent that, because of the timing of the availability of other funding sources or similar factors, project implementation will not begin following an award of VCDBG funding, DHCD reserves the option of offering such a project a Letter of Intent for future VCDBG funding. Such future funding may be a commitment from a current or future year's CDBG allocation. Decisions to issue Letters of Intent will be made during the proposal review process. Applicants will receive notice of an award of a Letter of Intent at the same time other applicants receive notices of funding awards.

Letters of Intent will generally be provided only to Competitive Grant proposals and will be limited in cumulative value to 30% of any single year's CDBG allocation. All Letters of Intent issued during 2006 will expire on May 1, 2007. DHCD reserves the right to establish an alternative Letter of Intent expiration date between May 1 and September 30, 2007 to accommodate exceptional circumstances. A locality receiving a Letter of Intent can receive a funding offer if it executes formal agreements with all outstanding funding sources, resolves any outstanding issues,

and takes formal steps to begin project implementation, such as publication of an invitation to bid for a project involving construction activities.

No extensions of a specified Letter of Intent termination date will be permitted. Letters of Intent for which all outstanding issues have not been addressed by this date will be voided, terminating all potential future funding obligations related to the original proposal submission. Localities impacted by a voided Letter of Intent will be eligible, multi-contract rule permitting, to submit a proposal for the same project in subsequent VCDBG funding competitions.

CONTRACTS AND PAYMENTS

DHCD reserves the option of funding projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD reserves the option of canceling additional contracts due to non-performance on initial contracts.

DHCD will make prompt payments under current contracts pending confirmation that performance expectations are being met. DHCD reserves the option of withholding payments for non-performance under any particular VCDBG project and for non-performance under any other DHCD programs.

DHCD TECHNICAL ASSISTANCE

DHCD will provide technical assistance to local governments and their agents in preparing and submitting proposals and otherwise pursuing assistance under the Virginia CDBG Program. This assistance will generally occur via telephone, facsimile transmission, electronic mail, formal meetings, and occasional site visitation.

ENVIRONMENTAL CONSIDERATION FOR CONSTRUCTION PROJECTS

Applicants will be advised to contact the Department of Historic Resources early in the project planning process. Community Representatives will assist in incorporating this step into the Environmental Review process.

PLANNING DISTRICT COMMISSION REVIEW

Local governments must comply with the Code of Virginia §15.2-4213. The Regional Cooperation Act requires that local governments notify Planning District Commissions of applications for state or federal aid. Because this notification is for informational purposes only, it may take many forms during the pursuit of VCDBG assistance. Notification may be more standardized for those VCDBG assistance offerings with formal proposal submission requirements.

PLANNING GRANTS

Background

Virginia's CDBG Planning Grant program is designed to aid those communities with the greatest community development needs in developing clearly articulated strategies for addressing these needs following meaningful citizen participation.

Planning Grant funding totaling \$500,000 is available on an open basis from January 2, 2006 until September 29, 2006 or until all of the funding is committed, whichever comes first. In January 2006, Planning Grant workshops were held wherein DHCD staff discussed the process for requesting Planning Grant funding and representatives of localities with past success in obtaining Planning Grant funding discussed their experiences.

A locality interested in obtaining Planning Grant assistance must submit an Interest Letter in accordance with a format developed by DHCD. In general, this Interest Letter will include a brief description of the project area and its community development needs, a discussion of locality and project area readiness and capacity to proceed with a participatory planning process, and some justification for why Planning Grant funding is needed. DHCD will review this Interest Letter and provide the applicant locality with a written response outlining activities that must be accomplished prior to Planning Grant investment and/or that invites the locality to submit a brief Planning Grant proposal in accordance with the Planning Grant Proposal Format. DHCD will award Planning Grant funding following its review of Planning Grant proposals.

Categories

There are six Planning Grants categories: Community Organizing Planning Grants; Community Needs Assessment/Economic Assessment Planning Grants; Project Planning Grants; Business District Revitalization Project Planning Grants; Regional Project Planning Grants, and Telecommunications Planning Grants.

Project Planning Grants

Project Planning Grants of up to \$25,000 are available for needs analysis and prioritization, preliminary design, and strategy development activities the preparation of a future Community Improvement Grant proposal. DHCD reserves the option of awarding additional Planning Grant funding in excess of this limit for projects which are particularly innovative, challenging, or costly. Eligible activities include:

- Community assessments, needs analyses, and need prioritization
- Activation and organization of target area residents and stakeholders
- Surveys of residents, users, customers, and potential beneficiaries
- Obtaining easements and user agreements
- Development of cost estimates and Preliminary Engineering Reports (PERs)
- Completion of market studies

All Project Planning Grant activities must be conducted with maximum participation by residents, potential beneficiaries, stakeholders, and local leaders. This participation should in accordance with the previously referenced Virginia Community Development Block Grant Citizen Participation Plan for Local Government Applicants.

Planning Grant activities should be oriented towards the development of products that relate directly to a future Community Improvement Grant project. These products should detail community development problems and present realistic solutions for treatment of these problems. All Project Planning Grant recipients must submit complete Community Improvement Grant proposals following completion of all planning activities unless otherwise negotiated with DHCD.

Business District Revitalization – Project Planning Grants

DHCD has recently introduced revised guidance to help direct the planning process for business district revitalization planning grants.

Through this process, applicants will undertake activities which are designed to identify opportunities to improve the economic and physical conditions within the community. A key outcome of this process will be the development of an economic restructuring plan that will identify the means by which the locality can implement economic improvement strategies that will help ensure the long-term sustainability of the community, particularly the downtown business district.

Applicants must demonstrate that business district revitalization is the highest community development need. Applicants must provide an analysis of housing and other community needs, how these needs have been addressed, and how any remaining unmet needs will be handled.

Because thorough preparation for BDR construction projects is necessary to ensure the desired community outcome of improved overall economic vitality, DHCD is continuing a phased approach for this project type. It often takes a number of years of appropriate planning and development efforts for these projects to be successful and the following process is designed to recognize and accommodate this.

DHCD will provide guidance to applicants as they progress through planning process. Applicants may only advance through the phases with approval of DHCD. Planning activities may be unique to each project, and funding amounts will be determined on a project by project basis.

Because thorough preparation for BDR construction projects is necessary to ensure the desired community outcome of improved overall economic vitality, DHCD is offering a tiered grant process for this project type. It often takes several years of appropriate planning and development efforts for these projects to be successful and the following grant levels are designed to recognize and accommodate this.

DHCD will provide guidance to applicants as they progress through planning process. Applicants may only advance through the phases with approval of DHCD. Planning

activities may be unique to each project, and funding amounts will be determined on a project by project basis.

Examples of activities that will be undertaken include:

- Holding an initial community meeting and management team meetings
- Conducting a facilitated visioning session
- Collecting physical environment, business operation, and business assistance data
- Identifying a small-scale capital improvement project that will be completed with local resources
- Learning about the Virginia Main Street approach
- Conducting downtown user surveys
- Determining the type of economic restructuring needed
- Procuring necessary Economic Restructuring / Marketing services

Following the successful completion of these activities and the development of an accepted Economic Restructuring Plan, applicants may pursue additional activities, which include design assistance (facades, streetscaping, infrastructure, and so forth) activities. Funding related to physical design will be the last approved activity, based on satisfactory completion of all other Planning Grant activities.

The locality will be required to become a Main Street affiliate if not already one.

Up to a maximum of \$35,000 will be available for each Business District Revitalization Planning Grant.

Community Needs Assessment/Economic Assessment Planning Grants

Community or Economic Assessment Planning Grants of up to \$10,000 are available for a locality to conduct a single objective general needs analysis and prioritization of community or economic conditions and future direction.

Regional Project Planning Grants

Project Planning Grants of up to \$40,000 are available for a regional effort of more than one locality for needs analysis and strategy development activities in preparation for a future Community Improvement Grant (construction) proposal. Eligible activities include:

- Community assessments, needs analyses, and need prioritization
- Activation and organization of target area residents and stakeholders
- Surveys of residents, users, customers, and potential beneficiaries
- Obtaining easements and user agreements
- Development of cost estimates and Preliminary Engineering Reports (PERs)
- Completion of market studies

Community Organizing Planning Grants

Community Organizing Planning Grants of up to \$10,000 are available for activation and organization of community residents to develop strategies for future social and physical improvements. Eligible activities include:

- Conducting assessments of community strengths, weaknesses, opportunities, and threats
- Establishing goals and objectives
- Developing work plans and implementation strategies

Citizen participation is the central purpose of these Planning Grants and should result in an organized, informed community that has reached consensus on a practical vision of the future and has the capacity and options available for future community improvement.

The sole product of these grants is a summary of planning efforts undertaken and results of this planning. All Community Organizing Planning Grant recipients must submit complete Project Planning Grant proposals or pursue project planning under a Just-In-Time or Technical Assistance Planning Grant following completion of organizing activities unless otherwise negotiated with DHCD. A Community Improvement Grant proposal is not required following a Community Organizing Planning Grant.

Of the \$500,000 available for Planning Grants, no more than \$60,000 will be targeted for Community Organizing Planning Grants. This amount is only a maximum, not a reservation of funds.

Telecommunications Planning Grants

Telecommunication planning grants are available for future system development and support or implementation efforts. Funds may be used to:

- Assist in promoting awareness of potential CDBG eligible activities and gauging stakeholder interest
- Creating a management team of potential user groups to oversee the creation of a Telecommunications Plan
- Conduct surveying efforts to document the eligibility of future telecommunication planning and implementation efforts for CDBG funding
- Conduct informational and training programs
- Identify and procure professional assistance as necessary

To access CDBG funds for telecommunication implementation, a locality must have completed a community-based telecommunications plan.

Up to \$15,000 per project is available for Telecommunications Planning Grants.

Proposal Evaluation

Planning Grant investment decisions will be based on the following considerations:

Is there a clear indication of community development needs?

Proposals must demonstrate some local knowledge of the scope and scale of the community development needs in the proposed project area. Certainly, the Planning Grant investment is provided to fully assess the scope and scale of such needs, but there has to be some evidence that Planning Grant funding would be properly applied in a particular project area because there is some good knowledge that needs exist. There must be evidence that the needs are known among potential beneficiaries and local officials alike.

Are there potential benefits?

The needs identified must generally be eligible targets for future VCDBG investments. One test of eligibility is whether the need can be addressed under at least one of the three CDBG national objectives, particularly benefit to low- and moderate-income persons. Another test is whether the need can be addressed through one of the VCDBG funding options, including Competitive Grants, the Community Development Innovation Fund, and the Community Economic Development Fund. There must also be evidence of participation by potential beneficiaries in the Planning Grant process to the extent that needs and demand can be fully assessed.

Is there adequate local readiness?

There must be evidence that local officials and stakeholders alike are committed to fully identifying and addressing local needs. Generally, a management team must exist which is comprised of stakeholders and local officials. This team must agree to meet regularly to actively address issues that arise during the planning process. The locality must show a willingness to remove any barriers to addressing the identified needs, particularly those subject to local control. The locality must also commit financial resources to fill gaps not covered by Planning Grant assistance.

Is there adequate local capacity?

There must be evidence that the locality and management team have the time, funding, and expertise to follow through with the planning process. If local expertise is lacking, the locality must procure professional assistance. If funding is lacking, the locality must identify other sources of funding. Time cannot be lacking.

Is there a need for Planning Grant funding?

For localities that have participated extensively in the VCDBG program, Planning Grant assistance should be targeted for projects that are innovative and/or unlike anything the locality has undertaken before or for components of typical projects that the locality cannot undertake with its own resources. For localities that have not participated extensively in the VCDBG program, Planning Grant assistance can be targeted to a range of costs associated with obtaining community input and contracting for professional assistance. It is a locality's responsibility to state its case for Planning Grant funding adequately in its proposal.

Payment for Performance

All Planning Grant projects will have a common action that is a Facilitated Planning Strategy session. This session shall include all key local stakeholders and appropriate staff from DHCD and other relevant organizations. This session will result in the establishment of planning performance targets and decision points that will provide the basis for the issuance of a Planning Grant contract.

Contracts for Planning Grants will stipulate the criteria, date, and grant amount for successive performance targets. Successful completion of targets will trigger the release of grant funding and the obligation of additional funding for activities related to future performance targets. A negotiated amount of funding may be provided to localities for initiation of planning activities, but this amount will be an element of, not an addition to, the total amount of Planning Grant funding committed to a project. For most Planning Grants, the total amount committed to any one project will be negotiated with the locality and will depend upon the level of need and community capacity and readiness. The total amount will not exceed the amounts listed in this Program Design or negotiated with DHCD.

Technical Assistance

Localities interested in Planning Grant assistance can contact DHCD at any time to discuss a particular project or find out more about the Planning Grant offering.

Contract Limit

Applicants must be under contract by December 1. If the applicant is not under contract by December 1, they may still work on completing the project, but staff will not be obligated to conduct the Facilitated Planning Strategy and work towards having the locality under contract prior to the Competitive Grant application deadline.

COMMUNITY IMPROVEMENT GRANTS

Virginia's CDBG Community Improvement Grant (CIG) option is designed to aid those communities with the greatest community development needs in implementing projects that will most directly address these needs.

There are five options for Community Improvement Grant assistance: Competitive Grants, Community Development Innovation Fund Grants, Community Economic Development Fund Grants, Construction-Ready Water and Sewer Fund Grants, and Urgent Need Open Submission Grants.

COMPETITIVE GRANTS

Competitive Grants are awarded following the Virginia Department of Housing and Community Development's (VDHCD) competitive review of the applicable proposals. The deadline for submission of Competitive Grant proposals to the VDHCD is March 22, 2006. No proposals will be accepted under this option prior to March 10, 2006.

Proposal review will occur in April and May of 2006. Announcement of Competitive Grant offers is anticipated by June 2006.

Of the estimated \$15,502,589 available in 2006 for Community Improvement Grants, approximately \$8,252,589 will be available for Competitive Grant projects.

There are five primary project types under the Competitive CIG option:

- Comprehensive Community Development
- Economic Development
- Housing
- Community Facility
- Community Service Facility

Localities with potential projects with features applicable to more than one of these project types should contact DHCD for technical assistance.

The policies applicable to these project types are detailed below.

Applicants must have received administrative close-out from DHCD on any open grants by March 1 of the year for which a locality is applying for funding in order for the open grant to NOT count against the \$2.5 million limit. This means that all CDBG-funded activities must be complete and all CDBG funds must be drawn down and spent.

Comprehensive Community Development

These projects target the completion of a range of improvements to a neighborhood in direct response to its identified needs. These needs should be derived from a recent client-based needs assessment of the neighborhood or target area. This assessment should include analysis of a full range of need areas including housing, water, sewer, streets, drainage, sidewalks, solid waste/garbage, debris removal, street lighting, recreation, police protection, fire protection, and other neighborhood-specific items.

For eligibility as a Comprehensive project, applicants must target the completion of improvements to an appropriate level of significance in relation to needs identified through the assessment. All Comprehensive projects must target at least two significant activities. Furthermore, they must demonstrate this significance by category, such as housing, sewer, or water, rather than by component, such as owner-occupied housing rehabilitation or substantial reconstruction. Comprehensive eligibility provisions are as follows:

For projects with exactly two significant activities:

- Eligible for up to \$1,000,000 in CDBG assistance

- Significant activities will be those which have a representation in the project budget no lower than 20% and no higher than 70% of the total project cost
- Activities with a budgetary representation of less than 20% can be included in the project and may be eligible for CDBG funding pursuant to typical eligibility factors and provided funding remains under the \$1,000,000 limit.

For projects with at least three significant activities:

- Eligible for up to \$1,400,000 in CDBG assistance
- Significant activities will be those which have a representation in the project budget no lower than 10% and no higher than 60% of the total project cost
- Activities with a budgetary representation of less than 10% can be included in the project and may be eligible for CDBG funding pursuant to typical eligibility factors and provided funding remains under the \$1,400,000 limit.

Street improvements will be eligible for VCDBG assistance where:

- Specific street sections are targeted for improvement through a client-based needs assessment;
- The targeted sections are not built to VDOT or community standards and are not part of a current public maintenance system;
- All higher priority community needs will be addressed using VCDBG or other funding; and,
- The applicant locality can provide documentation that no other funding is available to address these improvements.

All activities targeted for VCDBG assistance in Comprehensive projects must be designed in accordance with the policies established in this Program Design for such activities. Where justified and feasible, Comprehensive projects may include Economic Development and Community Services Facility activities. As described under **PROJECT ENHANCEMENTS** on page IV-56, additional VCDBG funding may be available for additional project activities.

Economic Development

The primary purposes for providing VCDBG assistance to economic development activities are as follows:

- Create job and business opportunities for low- and moderate-income persons, particularly in the most economically-disadvantaged, VCDBG-eligible areas of the Commonwealth; and,
- Eliminate blighting conditions in deteriorated areas as a means of creating better environments for future economic activities.

VCDBG assistance is available for economic development activities under the following categories: **Job Creation and Retention, Site Redevelopment, Development Readiness, and Business District Revitalization.**

Most economic development projects will focus on one activity category. Some projects may focus on two or more. Projects targeting one category are eligible for up to \$700,000 in VCDBG assistance. Projects targeting two or more categories are eligible for up to \$1,000,000. However, no single activity within a multi-activity economic development project may represent more than \$700,000. Projects must, as applicable, abide by the **Industry Commitment, Appropriate Determination, VCDBG Investment, LMI Benefit, Intrastate Piracy, and Ineligible Activities** policies outlined on pages IV-86-93 of the Community Economic Development Fund section.

DHCD reserves the right to adjust requests for VCDBG economic development assistance and the terms of this assistance to accommodate only appropriate improvements. These adjustments, if applicable, would be made following competitive evaluation of all Community Improvement Grant proposals.

Projects assisting a basic industry should be submitted through the open submission, Community Economic Development Fund. Projects that will benefit a commercial enterprise, sheltered-workshop, or other non-basic industry must be submitted as a Competitive Economic Development project.

Job Creation and Retention

The Job Creation and Retention category under the Competitive Grants option targets projects with job creation resulting from commercial enterprises, sheltered workshops, or other non-basic industries, or projects with job retention by basic and non-basic industries. This category of VCDBG assistance is available for on-site or off-site assistance to these enterprises. Applicants must prove a clear need for the off-site improvements and show justification for their scope and scale through Preliminary Engineering Reports and other analyses. **Because assistance takes the form of a loan to the applicant locality Competitive Grant proposals with on-site improvements are subject to underwriting. The locality must have completed an Appropriate Determination package and submit it to DHCD by February 17, 2006.** This package will be available from DHCD after January 2, 2006.

The Community Economic Development Fund reserves \$2,500,000 for projects involving assistance to basic industries that commit to private sector investment and job creation. The provisions of this Fund are detailed below in this document. Projects targeting job creation by basic industries will only be eligible for funding under the Community Economic Improvement Fund.

The following two categories--Business District Revitalization and Site Redevelopment-- are designed to improve the economic environment of a locality by enabling the removal of slums and blighting conditions that threaten the health, safety, and welfare of the community as a whole and have an adverse impact on the

value of real property which, in turn, adversely impacts community wealth. By addressing these blighting conditions, localities can eliminate hazardous conditions and halt disinvestment.

Business District Revitalization

Under this option, an applicant may target the revitalization of a downtown or other commercial district. An applicant must clearly delineate the boundaries of its district and provide the rationale for this delineation. Boundaries are commonly delineated using both physical considerations, such as where land uses transition from commercial to residential and where a river or railroad run adjacent to an area, and social considerations, such as public perceptions of boundaries.

DHCD has recently introduced revised guidance to help direct the planning process for business district revitalization planning grants.

Through this process, applicants will undertake activities which are designed to identify opportunities to improve the economic and physical conditions within the community. A key outcome of this process will be the development of an *Economic Restructuring Plan* that will identify how the locality can implement the economic improvement strategies needed to help ensure the long-term sustainability of the community, particularly the downtown business district.

Applicants must demonstrate that business district revitalization is the highest community development need. Applicants must provide an analysis of housing and other community needs, how these needs have been addressed, and how any remaining unmet needs will be handled.

Because thorough preparation for BDR construction projects is necessary to ensure the desired community outcome of improved overall economic vitality, DHCD is offering a tiered grant process for this project type. It often takes several years of appropriate planning and development efforts, such as the previously described multi-phase process for Planning Grants, for these projects to be successful and the following grant levels are designed to recognize and accommodate this.

Once the planning process has been satisfactorily completed, the locality may apply for up to \$700,000 to carryout the final design and construction / implementation activities. If a Business District Revitalization project will also include activities such as downtown housing, job creation, establishing a loan pool, or other economic revitalization efforts, and / or business district amenities, the locality may request up to \$1,000,000 in total funding (with the **PRIOR** concurrence of DHCD).

Funding for the activities where there are major concentrations of blighted properties (beautification efforts, decorative sidewalks, installation of benches, gateways, signage, overhead relocation, etc...) would be released on a performance basis once the physical and economic blighting elimination activities have been underway and

moving toward completion. DHCD reserves the right to offer a construction contract as a multi-year contract. Offer of funding in the out years would be based on satisfactory performance. Multi-year funded projects will be phased and implemented based on the prioritization of scheduled activities.

An active downtown organization, that generally follows the Main Street principles, must be in place in order to continue with VCDBG funding.

VCDBG funds cannot be used for the maintenance of revitalization efforts through business development assistance, marketing, infrastructure maintenance and improvements, or the continuance of the general Main Street approach.

Applicants must identify all elements of physical and economic blight within the defined business district:

Physical Blight

The deteriorated conditions or states of disrepair of district infrastructure, buildings, and other physical elements that detract from the overall appearance and identity of the district and, in turn, depress property values and the ability to market and attract investment.

Economic blight

The existence of vacant, disinvested, or underutilized buildings and parcels that represent unrealized commercial potential and project a negative image that harms efforts to attract new investment.

Applicants must have an *Economic Restructuring Plan* in place to help ensure the long-term success and viability of the project. This plan must include clear-cut steps for implementing recommended strategies. Activities necessary to implement the Plan, such as the completion of design elements and / or branding / marketing efforts are eligible costs under this project type. No more than five percent of the VCDBG funding may be used for this purpose.

Applicants must address all blighting conditions using VCDBG funding and other resources pursuant to the track the locality has chosen. VCDBG funding targeted for real property acquisition and demolition or transformation must be linked to the designation of a Redevelopment or Conservation area under Virginia law (Chapter 1, Article 7, Title 36, Code of Virginia). Building demolition should be programmed only as a last resort. Efforts should be made to minimize the displacement of residents and businesses.

All revitalization activities must include significant participation by district stakeholders, including property owners, business owners, local government officials, and concerned citizens. This participation should follow a modified Main Street approach to business district revitalization. Potential applicants should contact the

Department for additional information on this approach. This participation should, in part, lead to the development of a Revitalization Plan. Specific requirements to ensure continued participation include:

- Grantee enactment and enforcement of an ordinance requiring all building improvements from the time of the grant forward to be consistent with established design guidelines. The ordinance must be in effect for a minimum of ten (10) years. Once this ordinance is in effect, DHCD will fund development of design guidelines. DHCD will allow up to \$15,000 or 5% of the CDBG-funded construction budget for façade improvements, whichever is less, to be used to develop design guidelines for the downtown district.
- Grantee adoption of minimum design and maintenance standards (building or property code standards may be acceptable) for those not willing to participate. These standards must be approved by DHCD and must be enforced for a minimum of ten years.
- A commitment to a redevelopment plan giving the locality the authority to take and condemn blighted properties if the property owners do not commit to participate.

VCDBG funding may target the implementation of other elements of a Revitalization Plan, including providing support for a business district organization, for marketing efforts to secure private investments, and for minimal cosmetic improvements to non-blighted elements. Entrepreneurship development activities are eligible as an addition to Business District Revitalization projects.

Site Redevelopment

This category targets sites that left unmarketable or unusable by previous uses and that have conditions having an impact beyond the boundaries of the site. VCDBG assistance may be used to correct identified conditions, provided they are justified as blight in accordance with earlier guidance.

Applicants must detail the conditions and demonstrate local consensus that the conditions, real or perceived, exist and that addressing these conditions is a local priority. Treatment of these conditions must result in increased potential for investment on this site and surrounding this site.

Activities may include:

- modification to or demolition of structures existing on these sites;
- targeting more than one site under a single project if it can be demonstrated that the accumulation of these sites has a single identity and/or that conditions on each individual site have impacts beyond its boundaries.

As with business district revitalization, site conditions and corrections for these conditions should be determined through stakeholder participation. Eligible activities beyond elimination of blighting conditions may include:

- real property acquisition ;
- future use planning

Development Readiness

This category provides for the completion of improvements that will result in the future creation of businesses and job opportunities providing primary benefit to low- and moderate-income persons. The focus of this category is on removing barriers to economic investment, particularly in areas of distress. Two such barriers are as follows:

- The existence of previously used sites and structures for which reuse for economically beneficial activities is not cost effective in comparison to development or construction on a new site.
- The lack of building space to accommodate business location or expansion and the prohibitive cost of constructing or adaptively reusing space, especially for small businesses.

This category addresses these barriers directly by making resources available for site redevelopment and for commercial building development. Where the proposed site or building is publicly owned, eligible activities include:

- Acquisition,
- Site preparation,
- On-site and incidental off-site infrastructure,
- Architectural and engineering costs,
- Building rehabilitation or construction, and
- Administration.

All VCDBG funding spent on these projects, except administrative costs, must be recovered upon the sale or long-term lease of the site or building to a private sector entity that will create the required jobs. Full recovery of the funds must occur within two years of the completion of construction activities.

Failure to secure a private sector entity to purchase or lease the improvements within the required period will require the locality to repay the administrative and construction costs. Recovered funds will be regarded as disallowed costs and will be subject to the Program Income policy.

The availability and amount of VCDBG funding will depend upon the projected job creation. In Competitive localities, at least 50 full-time jobs must be created and VCDBG participation will, in combination with other public funds, be limited to \$10,000 per job. In Transitional localities, at least 20 full-time jobs must be created and VCDBG participation will be limited to \$10,000 per job. In Distressed localities,

at least 10 full-time jobs must be created and VCDBG participation will be limited to \$10,000 per job, except where the local economy is diversified wherein VCDBG participation will be limited to \$25,000 per job.

Only VCDBG-eligible localities may secure funding for development readiness activities. These localities may implement these activities directly using available funding or may lend these funds to a local or regional non-profit economic development entity that will implement the activities. Such an entity must have the capacity to borrow and administer Federal funds for economic development purposes.

In all such efforts, there must be direct links to an entity with the capability and willingness to administer a formal marketing program. Applicants for VCDBG funding should accompany their request with a comprehensive marketing strategy for growing and/or attracting businesses and creating employment, primarily through basic industries. The strategy must identify one or more sectors or industries toward which marketing efforts will aim. The VCDBG assisted site or building should have a prominent position in the strategy. The strategy must be supported by a marketing program and an organization that is financially and technically capable of conducting the marketing.

Applicants for development readiness assistance must demonstrate that public benefit will result from the VCDBG investment and that there is a clear relationship between the proposed site or building improvements and existing economic development strategies.

The Development Readiness category is the only one permitting somewhat speculative physical improvements because these improvements are treated as loans to the locality and that must be secured by a Letter of Credit issued by the locality. Physical improvements under all other economic development categories must be consistent in scope and scale with the underlying needs.

Housing

Housing activities are eligible for VCDBG assistance to improve the living conditions of low- and moderate-income (LMI) persons. VCDBG funding may be used to rehabilitate LMI-occupied housing units or in support of the development of new housing units to be occupied by LMI persons.

There are two categories of assistance under the housing project type:

- Housing Rehabilitation
- Housing Production Assistance

Housing Rehabilitation

VCDBG assistance is used to upgrade LMI-occupied housing units to DHCD Housing Quality Standards. Assistance is made available under Comprehensive Community

Development projects, to units lacking indoor plumbing in Community Facilities projects, and as a single activity Housing project.

Housing projects targeting housing rehabilitation activities:

- are eligible for up to \$1,000,000 in VCDBG assistance.
- must target rehabilitation needs within a single, well-defined project area.

Because rehabilitation activities may not begin simultaneously on each eligible housing unit, DHCD reserves the right to fund such projects under more than one performance-based contract and from more than one year's CDBG allocation. DHCD also reserves the right to cancel additional contracts due to non-performance on initial contracts.

Crucial non-housing activities or non-construction housing support activities that will clearly complement the housing improvements taking place in the project area and that will meet a national objective *may be included* in a housing rehabilitation project. VCDBG participation in these activities *shall not exceed 15 percent* of the total amount requested. *Up to 10 percent* of the total housing rehabilitation activity budget may be used for Rehabilitation Specialist services such as inspections, specifications, and bidding.

Rehabilitation assistance is available for both owner-occupied and investor-owned properties.

- **Owner-occupants** must incur a monthly financial obligation following receipt of VCDBG rehabilitation assistance which is based on the monthly amortization of rehabilitation costs over a 10 year period at 0 percent interest (less the actual costs of lead-based paint abatement and accessibility improvements). Owner-occupant monthly payments must be determined by ability-to-pay calculations taking into consideration income, expenses, and other household considerations.
- **The ability-to-pay calculation** will determine the amount the household could afford monthly towards repayment of the VCDBG rehabilitation assistance received. The difference between the total monthly amortization amount and the amount paid by the homeowner must be forgiven. This forgiveness must occur on a monthly basis, not in one lump sum write-off.
- **Ability-to-pay calculations** will be based on 25 percent of household income. If any ability-to-pay is demonstrated, the corresponding amount must be collected.
- **Ability-to-pay calculations** must also be made for the tenant households of investor-owned properties. These calculations permit evaluation of rent affordability. Affordable rent is defined as:

a cost of occupancy that, including tenant-paid utilities, does not exceed 35 percent of total household income. If a project includes assistance from other programs which

require a more stringent definition of rent affordability, this more stringent standard must be applied.

- **Investor-owner** participation in rehabilitation must include execution of a legally-recorded commitment to provide the improved housing units to LMI households for no less than 10 years at affordable rents. Investor-owner financial participation to offset the cost of improvements can reduce the number of years of required LMI benefit at a rate of one year per 10 percent of owner funding provided, up to a maximum of five years and 50 percent. Rent levels shall not be increased between the Community Improvement Grant submission date and the date of announcement of CIG awards. Investor-owners may not increase rents beyond actual direct cost increases, such as taxes and insurance, for at least five years, or for the term of the loan, if longer. The rent amount must be established in the rehabilitation contract and shall remain at the same level for all subsequent tenants for the balance of loan term.

No **vacant unit** shall be rehabilitated with VCDBG funding unless the house was rented for at least six months of the preceding year, the unit was purchased by an LMI household, or the unit is owned by a locality, housing authority, or non-profit and will be sold to or lease-purchased by an LMI household.

Applicants may use up to \$25,000 or \$30,000, depending on the presence of lead hazards, of VCDBG funding to rehabilitate eligible housing units, excluding manufactured homes, to DHCD Housing Quality Standards and up to \$35,000 for the substantial reconstruction of housing units determined to be unsuitable for rehabilitation. Manufactured home rehabilitation is limited to \$10,000. In addition to these base costs, applicants may use up to \$1,000 per household for temporary relocation costs *and*, with DHCD approval, further exceed these base limits by up to \$20,000 for the following exceptions:

- Installation of a well and/or septic systems or water and/or sewer connections;
- Provision of ramps and other accessibility features;
- Provision of one or more additional bedrooms to relieve an overcrowded situation in which more than two bedrooms are necessary or other changes to a unit's footprint;
- Actual laboratory costs for the evaluation of lead dust tests; and,
- Construction of a bathroom

More specific guidance on eligible costs, owner and landlord requirements, cost limits, and other policies applicable to housing rehabilitation projects may be found in the CDBG Grant Management Manual, which may be accessed at:
<http://www.dhcd.virginia.gov/CD/CDBGdefault.htm>

Adherence to green building practices, where appropriate, is encouraged. An outline for following green building practices is available upon request from DHCD.

Housing Production Assistance

VCDBG assistance is available in support of the development of new single- and multi-family housing units targeted for low- and moderate-income persons. VCDBG funding is applicable to most project costs, including final design and construction costs, in projects proposing the adaptive reuse of existing structures for housing. These projects are eligible for up to \$700,000 in VCDBG assistance.

VCDBG assistance to new construction projects is limited to the design and construction of site improvements. In general, applicant must obtain funding for new construction from local or other resources. CDBG funding cannot be used for the construction of new housing, except as provided under the last resort housing provisions of 24 CFR Part 42 or as authorized under Section 17 of the United States Housing Act of 1974. CDBG funding may be used for new housing construction costs where a neighborhood-based non-profit has primary responsibility for the development of the new housing.

All housing production projects must demonstrate a clear local need for additional housing units, provide evidence of significant local demand for the additional units, and target the development of housing units of a quality and quantity that will meet local needs and demands. Project evaluation will reward those projects that result in the greatest number of quality units at the lowest cost per unit.

Projects involving housing rehabilitation and/or housing production assistance may secure additional funding for additional needed project activities as described in Project Enhancements on page IV-56.

Applicants planning to use tax credits as a funding source should contact DHCD early in the planning process.

DHCD must review all underwriting prior to the submission of an application for VCDBG funds.

Adherence to green building practices, where appropriate, is encouraged. An outline for following green building practices is available upon request from DHCD.

Community Facilities

Community facilities include water services, wastewater services, drainage improvements, and street improvements. VCDBG assistance under this option is generally targeted to projects involving water and wastewater improvements, particularly those involving new services to low- and moderate-income persons. Community Facility projects are eligible for up to \$1,000,000 of VCDBG funding.

An applicant undertaking a water and sewer project must address the indoor plumbing needs of project area residents. Benefit to a particular household will not be accepted unless the unit currently has or will be provided with indoor plumbing facilities. Housing units receiving indoor plumbing facilities must also meet DHCD Housing Quality Standards. VCDBG funding may be used to improve these units to standard condition. VCDBG participation in indoor plumbing or related housing activities shall not exceed 15 percent of the total amount requested.

Applicants including water and/or sewer service activities in the project design, regardless of the project type, must meet the following requirements:

- Services must be accessible to any LMI household which resides on property adjacent to or near project activities, provided that the estimated cost of completing the physical connection to the housing unit is less than or equal to \$2,500.
- Water meters are required for each customer connecting to the CDBG supported utility line (manufactured home park owners are considered a single customer);
- The CDBG investment per utility connection may not exceed an average of \$10,000.

Low- and moderate-income persons cannot be charged an access fee for facilities developed using CDBG funding and neither are these fees CDBG-eligible expenses. The actual physical costs of connections will be eligible for VCDBG funding. To the extent feasible, proposals for public water service must include a project design that accommodates appropriate fire protection measures in the project area.

DHCD will consider the reasonableness of user charges in evaluating any revenue-producing project, particularly water and sewer projects. DHCD reserves the right to reduce proportionally grant requests from applicants where utility rates charged by an entity are below the state average.

For projects extending utility lines from one jurisdiction to another, utility rates must be the same throughout the CDBG project area unless there is documentation that the locality owning or served by the CDBG-supported utility line is subsidizing water rates with its general fund. In those cases, a disparity in rates may exist between the involved localities.

CDBG funds will not be invested in systems that can or will provide redundancy to a customer base that would be more efficiently served by another entity. Instead, DHCD expects that jurisdictions will cooperate to identify the best possible system and entity for providing service to a specified customer base.

Project needs in community facility projects will best be determined through surveys of project area residents and through gathering of documentation from regulatory and other agencies. The demand for services must be established by obtaining signed user agreements from the proposed beneficiaries or documenting a local mandatory

hook-up policy and its history of enforcement. Before submitting a proposal, a locality must obtain signed user agreements from at least 80 percent of the proposed low- and moderate-income beneficiaries. To clarify this policy further, of the total households in the project area, at least 80 percent must be *ACTUAL* users (not just have availability of new service). Of the *ACTUAL* users, at least 51 percent must be low- to moderate- income.

Project activities are established through completion of a full Preliminary Engineering Report (PER). At least two copies of the PER must accompany each community facility proposal. If Virginia Department of Health (VDH) approval is required for a project's plans and specifications, the project PER must be submitted to VDH prior to submission of the project proposal to DHCD.

In projects involving the provision of water, sewer, or other community facility services to privately-owned, multi-tenant properties as a contributing factor towards meeting the required LMI benefit, VCDBG assistance will be eligible for expenditure on those features of the project providing substantial benefit to current LMI tenants. DHCD will safeguard the provision of benefits to current LMI tenants as follows:

VCDBG funding will be provided to match current LMI needs.

Property owners are prohibited from creating additional tenant spaces that would dilute a project's LMI benefit. Assistance may be prorated to oversized service or distribution lines. Participation in pump stations, storage tanks, or other features will also depend on the level of LMI benefit in the project.

Savings produced by the VCDBG investment must translate to direct LMI benefit.

Generally, each LMI unit receiving services must be individually metered with billing being a responsibility of a local public agency. No private property owners may charge LMI tenants a connection fee or a surcharge on service usage.

Community Service Facilities

VCDBG assistance is available up to \$700,000 for Community Service Facilities which are physical facilities targeting the provision of important services to low- and moderate-income persons and the greater community. Such facilities include day care facilities, facilities for protected populations such as the elderly and disabled, community centers, health clinics, libraries, schools, hospitals, and skill-building facilities for youth and the unemployed.

All Community Service Facility proposals must demonstrate that facility development is a clear local community development priority. In doing so, applicants must describe other community development priorities and their positions relative to facility development.

Applicants for Community Service Facility projects must demonstrate the clear local need for the services to be provided. The most reliable information on these needs will result from surveys of potential users and existing service providers. Census information and other statistical information, although useful, provide less reliable justification for the need for a facility. User surveys should, at a minimum, confirm potential user LMI status and the need for and interest in the services proposed for the facility. To confirm the need for many types of services, surveys of individual potential users are a better indicator of need than surveys of households. Surveys of existing service providers will permit, at a minimum, the identification of gaps between need and service availability.

Applicants must also document the demand for services. For some types of services, strong preferences obtained through surveying may suffice. For other services, demand may best be represented by the actions of individuals, beyond survey participation, to receive a service, such as the completion of an application or other intake documentation.

Following a determination of need and demand, applicants must target the development of a facility to accommodate the new or expanded services. For facilities that will clearly provide needed services to low- and moderate-income persons, applicants may seek to maximize VCDBG participation in the development of the facility. For facilities that will provide of a variety of services to LMI and non-LMI persons, VCDBG participation should be sought in proportion to the level of services being targeted primarily towards LMI persons.

Community Service Facility projects that include a construction element are encouraged to adhere to green building practices, where appropriate. An outline for following green building practices is available upon request from DHCD.

In addition to the factors outlined above, the evaluation of Community Service Facility projects will include an assessment of the directness of the benefits to be provided to LMI persons. The following questions will guide this assessment:

- *Will the services be available exclusively to LMI persons or predominantly to LMI persons?*
- *Will the services provide palpable, measurable changes in the lives of the participants?*
- *Will the services have any impact on LMI persons becoming non-LMI persons?*

Proposal Evaluation Criteria

Because requests for VCDBG Community Improvement Grant assistance greatly exceed the amount of funding available, funding distribution is determined through

competitive evaluation of all proposals received. DHCD will evaluate proposals on the based on these criteria:

Composite Fiscal Stress

The relative fiscal stress of the local governments submitting proposals is derived from the most recent Composite Fiscal Stress Index Scores table generated annually by the Virginia Commission on Local Government.

Regional Priorities

A proposal's relationship to the project priorities annually established by each Planning District Commission will be evaluated for this item.

Project Needs and Outcomes

This item considers the needs the proposed project will address, evaluates the relationship of project activities to underlying needs, and assesses the likelihood these activities will both meet these needs and have a measurable long-term impact on the community.

Costs and Commitment

This item considers whether project costs are reasonable and supportable and the level of financial participation in project activities offered by local and other non-CDBG resources.

Meeting a National Objective

This item considers the extent to which a project will benefit low- and moderate-income persons or result in the elimination of slums and blighting conditions.

These criteria are further outlined in the Competitive Grants Request for Proposal package. DHCD reserves the right to modify the evaluation criteria.

COMMUNITY DEVELOPMENT INNOVATION FUND GRANTS

The Community Development Innovation Fund provides resources totaling \$2,250,000 for implementation of new, innovative, and/or timely community development projects. This Fund has three components: the Local Innovation Program, the Self-Help Virginia Program, and the Supplemental Housing Rehabilitation Loan Pilot Program Loan/Loss Reserve.

Local Innovation Program

VCDBG funding totaling \$1,000,000 will be reserved for innovative, small-scale pilot projects that will include only CDBG-eligible activities, meet a CDBG national objective, and be designed in accordance with the CDBG Citizen Participation Plan. Examples of types of Innovation Program funding are:

- Individual Development Account programs;

- Projects that support local or regional welfare-to-work initiatives;
- Entrepreneurship Development
- Heritage Tourism projects
- Telecommunications projects

Specific guidance on some of these project categories follows.

Entrepreneurship Development

VCDBG assistance will be targeted for those projects covering gaps in one or more of the following five elements:

Access to Capital and Financial Assistance

Examples:

- Loan funding (such as offered in microenterprise assistance programs), equity funding, or working capital for business start-up or expansion; or,
- Development of peer lending pools, individual development accounts (particularly those targeting business creation), or other innovative business financing mechanisms.

Technical and Managerial Assistance

Examples:

- Physical or operational assistance to a small business incubator that provides a broad array of entrepreneurial assistance services;
- Establishment of business mentoring programs;
- Market feasibility and business planning assistance; or,
- Other forms of business management assistance.

Technology Transfer

Example:

- Product development assistance resulting in the creation of new businesses and/or jobs.

Entrepreneurial Education and Training

Examples:

- Training and workforce development in declining or fledgling industries or businesses; or,
- Other entrepreneurial education and training efforts resulting in the creation of new businesses and/or jobs.

Entrepreneurial Networks

Examples:

- Development of entrepreneurial assistance efforts targeting business creation or expansion in specific business sectors with tangible involvement of affected entrepreneurs;

- Development of peer-to-peer relationships among entrepreneurs in similar or compatible businesses or other business to business linkages; or,

VCDBG assistance will target those entrepreneurship development efforts that have a comprehensive focus. Applicants must:

- Show consideration of all facets of assistance to entrepreneurs;
- Demonstrate that VCDBG resources will be applied to those assistance efforts that currently do not exist or are inadequate to meeting the demand for such assistance

VCDBG will not provide assistance to establish duplicate efforts serving entrepreneurs or to create economies of scale among existing efforts that will not result in drastic increases in entrepreneur service levels. Applicants must provide evidence that other options for funding specific entrepreneurship development efforts either do not exist or have been exhausted by the applicant before requesting VCDBG assistance.

Entrepreneurship projects must demonstrate that they will meet a National Objective and produce an outcome that capable of documentation by the numbers of business created, specific numbers of jobs created, and specific numbers persons employed.

Up to \$200,000 is available per project. Proposals that meet these minimum thresholds will be accepted on an open basis from January 2, 2006 through September 29, 2006.

Telecommunications Projects

Up to \$200,000 per project is available for telecommunications efforts that may include implementation (e.g., installation of a fiber network) or system development and support (e.g., community business training and education). All projects must demonstrate that they meet a National Objective and demonstrate a direct relationship between intended project efforts and measurable, tangible improvements to the health of the community being served.

- All projects funded must first submit a regional telecommunications plan for approval to DHCD. This plan must:
 - Assess current broadband availability and usage
 - Address demand aggregation and future use
 - Address the relationship to regional planning and telecommunications networks
 - Address community development applications and CDBG National Objective
- Only implementation projects targeting “last mile” installation of broadband applications will be considered for funding. CDBG funds may not be used to install long-haul backbone systems.

Applications for telecommunications projects may combine planning and system development / technical support or planning and implementation.

Local Innovation Program projects will be evaluated on eligibility (meeting National Objective) and threshold criteria of the program. Projects must clearly address the following factors:

- Performance targets and project outcomes
- Nature of the innovation
- Need for CDBG investment
- Capacity to carry out the project
- Sustainability / Replicability of the project

The Local Innovation Program Request for Proposals describes the evaluation criteria more fully.

Localities considering applying for Local Innovation Funds should contact DHCD for further project development guidance.

If Local Innovation funding remains unobligated as of September 29, 2006, this funding will be made available to Self Help projects, Planning Grant projects, Urgent Need projects, the next highest ranking 2006 Competitive Grant project, Administrative Bonuses, and projects with Letters of Intent.

Self-Help Virginia

Self-Help Virginia provides funding in support of infrastructure projects, specifically water and sewer projects, wherein community residents and stakeholders substantially participate in the construction activities. VCDBG funding totaling \$1,000,000 will be reserved for Self-Help projects in 2006. Funding will be available on an open basis between January 2, 2006 and September 29, 2006. VCDBG participation is limited to \$10,000 per household served.

Eligible Self-Help Virginia projects must possess the following characteristics:

- There must be a neighborhood or community consensus about the existence of the problem to be addressed;
- There must be a demonstration of community capacity to manage the self-help project with sufficient energy and vision to see the project through to completion; and,
- There must be at least a 40 percent savings from the proposed Self-Help construction compared to conventional construction.

The goal of these projects is to tap neighborhood talent, manpower, and creativity to provide water and sewer services in areas where conventional construction costs make such provisions prohibitive. The most common examples of specific self-help

activities are neighborhood residents acting as project managers, installing water and sewer lines, and operating leased or donated equipment. Resident contributions depend on resident abilities. Construction must meet all applicable codes and regulations.

These projects are exempt from the Preliminary Engineering Report standards of other projects. These projects do require a cost estimate demonstrating the required 40 percent savings, a clear description of the proposed improvements, and a map of the service area with the proposed layout of lines and other improvements.

All proposals must include evidence that at least one well-attended community meeting has occurred and that the project is supported by the community, that at least 51 percent of the proposed beneficiaries are low- and moderate-income per survey results, and that residents are willing to work on the project and have some sense of the skills available in the community. Also required are signed user agreements showing the willingness of residents to connect to water and/or sewer lines as part of the project.

Supplemental Housing Rehabilitation Loan Pilot Program Loan/Loss Reserve

The Supplemental Housing Rehabilitation Loan Pilot Program (Supp Loan) is the product of the collaboration and partnership among the Virginia Department of Housing and Community Development (DHCD), the Virginia Housing Development Authority (VHDA) and the Virginia Community Development Fund, Incorporated (VCDFI). It partially addresses the need for additional housing rehabilitation funding under DHCD's Indoor Plumbing/Rehabilitation (IP/R) and Community Development Block Grant (CDBG) Programs.

To maximize the effectiveness of this initial pilot program, DHCD has invited the participation of a limited number of experienced IP/R Subrecipients and CDBG Grantees who operate programs serving multiple jurisdictions. Participation is voluntary. If found to be successful, Supp Loan participation and funding may be expanded in the future, and the program modified to meet other housing rehabilitation needs.

Because of public funding constraints, IP/R Subrecipients and CDBG Grantees are limited in the amount of IP/R and CDBG single-family housing rehabilitation work they can afford to perform on any one house. Although eligibility for these programs generally is limited to households with incomes not exceeding HUD's "Low-Income" limit (i.e. 80% AMI), there exists for some households the willingness and financial ability to borrow additional funds in order to pay for basic home improvements over and above what IP/R and CDBG can provide. However, low-income households often do not meet typical loan underwriting standards, and parallel loan processes are difficult to coordinate with IP/R and CDBG project schedules.

The Supp Loan is designed to allow IP/R Subrecipients and CDBG Grantees (Program Administrators) to originate, process, underwrite, close and service (including pre-and post- loan closing counseling) mortgage loans for additional home improvements as part of their on-going IP/R and CDBG programs. Program Administrators may devise how to integrate necessary Supp Loan elements into their existing IP/R and CDBG program policies and procedures. In exchange for this flexibility, the Program Administrators not only must demonstrate a capability and capacity to administer Supp Loans, but also share in the risk by co-insuring ten percent (10%) of any loan default losses. Mortgage loan and counseling training and technical assistance will be offered by VHDA, VCDFI and DHCD.

VCDBG funding up to \$250,000 will be used to “underwrite” the Supplemental Housing Rehabilitation Loan Pilot Program. Operating funds are already in place to implement this effort; these funds will serve as a fail-safe for loan default losses.

CONSTRUCTION-READY WATER AND SEWER FUND

VCDBG funding totaling \$1,000,000 will be reserved for construction of community facility projects providing public water or sewer service to communities made up of at least 65% LMI households. Additional criteria are:

- At the time of application
 - Income surveys and user agreements one year old or less must document eligibility and community demand;
 - All engineering work, up to and including necessary approvals of final design, must be complete;
 - All necessary acquisitions must be complete;
 - Public hearings and the Environmental Review Record must be complete, including all the publications and comment periods.
- No more than \$7,500 of CDBG funds per LMI household served will be made available with no single grant exceeding \$500,000.
- These funds are available for construction only.
- The pre-contract phase is limited to 30 days and will include required actions by the locality’s governing body, bidding construction and selecting (but not executing a contract with) a contractor.
- The project must be able to be completed within one year, and
- The grantee is not eligible for the 10% administrative bonus for timely completion.

The intent of these projects is to assist localities that are in an “except for” position, i.e., fully ready to provide service to an LMI community except for all or a portion of the construction funds. It is anticipated that these funds will be used in conjunction with other resources. Proposals that meet these thresholds will be accepted on an open basis from January 2, 2006 to September 29, 2006. The total amount made available is included in the locality total of active CDBG funds. These funds may not be used to supplement or leverage other CDBG funds.

Projects will be assessed based on the previously-described threshold criteria. Further guidance is available in the Construction-Ready Water and Sewer Fund Request for Proposals package.

Funding that has not been committed as of September 29, 2006 may be committed to Self Help projects, Planning Grant projects, Urgent Need projects, the next highest ranking 2006 Competitive Grant project, Administrative Bonuses, and projects with Letters of Intent.

COMMUNITY ECONOMIC DEVELOPMENT FUND GRANTS

The Community Economic Development Fund (CED) is designed to support economic development activities, particularly those creating employment opportunities for low- and moderate-income persons, in VCDBG-eligible localities. In 2005, \$2,500,000 is available under the CED Fund. Up to \$700,000 will be available per project.

Projects assisting businesses that cannot commit to providing a post-probationary wage of at least 1.5 times the minimum wage to 90 % of all employees hired as a result of the CDBG investment may be eligible for VCDBG funding limited to 50 percent of project costs up to \$350,000.

Proposals will be received on an open basis from January 2, 2006 through September 29, 2006. Assistance is limited to projects involving employment creation by private, for-profit basic industries. Assistance may include off-site improvements such as water lines, sewer lines, roads, and drainage. On-site assistance may be eligible in some projects, but these projects are subject to underwriting and the VCDBG assistance will be made available as a loan to the locality. This loan must be repaid.

Projects assisting a basic industry should be submitted through this project type. Projects that will benefit a commercial enterprise, sheltered-workshop, or other non-basic industry must be submitted as a Competitive Economic Development project.

Categories and Thresholds

The nature of the financial assistance available under the CED Fund varies depending on the economic strength of the applicant localities. VCDBG-eligible localities, excluding Towns, are placed in one of three categories: Distressed, Transitional, and Competitive. Towns that are fully contained within a county are in the same category as the surrounding county. Towns divided among two counties are in the same category as the county with the least economic strength. Localities were placed in a category based on the relative position of local statistics to statewide statistics for each of three economic factors. The factor titles, sources of factor data, and delineations within each factor follows:

Persons in Poverty

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(County Estimates for People of All Ages in Poverty for Virginia: 1999; U.S. Census Bureau)

Distressed: 150% or greater than statewide figure (or 14.4% or higher)

Transitional: Greater than or equal to statewide figure of 9.6%

Competitive: Less than statewide figure of 9.6%

Median Adjusted Gross Income per Married Return

(Married Returns, 2002; Virginia Department of Taxation)

Distressed: 70% or less of statewide figure (or \$40,547 or less)

Transitional: Less than or equal to statewide figure of \$57,924

Competitive: Greater than statewide figure of \$57,924

Annualized Average Unemployment Rates

(Annualized Average Unemployment Rates for Virginia Localities, 2004; Virginia Employment Commission)

Distressed: 150% or greater than statewide figure (or 5.6% or higher)

Transitional: Greater than or equal to statewide figure of 3.7%

Competitive: Less than statewide figure of 3.7%

Localities received two points for each factor in which they met Distressed levels, one point for each factor at Transitional levels, and no points for each factor at Competitive levels.

Distressed

Distressed localities received 5 or more points from the evaluation of economic factors.

Localities

Accomack County	Patrick County
Brunswick County	Prince Edward County
Buchanan County	Richmond County
Buckingham County	Russell County
Charlotte County	Scott County
Cumberland County	Sussex County
Dickenson County	Tazewell County
Greensville County	Westmoreland County
Halifax County	Wise County
Henry County	City of Covington
Lee County	City of Emporia
Lunenburg County	City of Galax
Mecklenburg County	City of Martinsville
Northampton County	City of Norton

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Nottoway County

City of Williamsburg

Thresholds

The thresholds for VCDBG assistance in Distressed localities are as follows:

- The subject business must create at least 10 full-time positions.
- The subject business must make a private investment of at least \$100,000.
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for 90% of all new employees and provide an employment benefits package that includes, at a minimum, basic medical coverage and insurance (of which at least 50% is employer-paid), to all employees. The post-probationary period must not exceed six months.

Assistance for Local Economic Diversification

If the assisted business is involved in the value-added manufacturing or re-manufacturing and reuse of indigenous raw materials, the provision of goods or services not previously available locally, and/or the provision of goods or services that are divergent from the local norm, the following conditions apply:

- VCDBG assistance for off-site improvements is eligible for up to 100 percent of total project costs.
- Local financial participation must total at least 25% of the VCDBG eligible costs. Administrative costs may not be included as part of the local financial participation.
- VCDBG loans for on-site improvements are available through a relaxed underwriting process and flexible terms.
- VCDBG assistance is available at up to \$25,000 per job to be created.

Assistance for Other Businesses

If the assisted business will not be diversifying the local economy, the following conditions apply:

- VCDBG assistance for off-site improvements is eligible for no more than 80 percent of the total project costs.
- Local financial participation must total at least 25 percent of the VCDBG eligible costs. Administrative costs may not be included as part of the local financial participation.
- VCDBG loans for on-site improvements are available through a relaxed underwriting process.
- VCDBG assistance is available at up to \$10,000 per job to be created.

NOTE: Distribution centers do not generally meet the definition of diversification.

Transitional

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Transitional localities are those with scores of 2 to 4 points from the evaluation of economic factors.

Localities

Alleghany County	Middlesex County
Amherst County	Montgomery County
Appomattox County	Nelson County
Bath County	Northumberland County
Bland County	Page County
Campbell County	Pittsylvania County
Caroline County	Pulaski County
Charles City County	Smyth County
Craig County	Southampton County
Dinwiddie County	Surry County
Essex County	Washington County
Floyd County	Wythe County
Franklin County	City of Bedford
Giles County	City of Buena Vista
Grayson County	City of Franklin
Highland County	City of Lexington
King and Queen County	City of Staunton
Lancaster County	City of Waynesboro
Louisa County	

Thresholds

The thresholds for VCDBG assistance in Transitional localities are as follows:

- The subject business must create at least 20 full-time positions
- The subject business must make a private investment of at least \$300,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for 90% of all new employees and provide an employment benefits package that includes, at a minimum, basic medical coverage and insurance (of which at least 50% is employer-paid), to all employees. The post-probationary period must not exceed six months.

Assistance Parameters

For all businesses, the following conditions apply:

- VCDBG assistance for off-site improvements is eligible for no more than 80 percent of the total project costs.

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- Local financial participation must total at least 25 percent of the VCDBG eligible costs. Administrative costs may not be included as part of the local financial participation.
- VCDBG assistance is available at up to \$10,000 per job to be created.
- If the assisted business meets the criteria cited under the Distressed section regarding diversification of the local economy, VCDBG loans for on-site improvements are available through a relaxed underwriting process.
- If the assisted business does not meet these criteria, VCDBG loans for on-site improvements are available through a market underwriting process

Competitive

Competitive localities are those scoring 1 or fewer points from the evaluation of economic factors.

Localities

Albemarle County	Madison County
Amelia County	Mathews County
Augusta County	New Kent County
Bedford County	Orange County
Botetourt County	Powhatan County
Clarke County	Prince George County
Culpeper County	Rappahannock County
Fauquier County	Roanoke County
Fluvanna County	Rockbridge County
Frederick County	Rockingham County
Gloucester County	Shenandoah County
Goochland County	Spotsylvania County
Greene County	Stafford County
Hanover County	Warren County
Isle of Wight County	York County
James City County	City of Poquoson
King George County	City of Salem
King William County	

Thresholds

The thresholds for VCDBG assistance in Competitive localities are as follows:

- The subject business must create at least 50 full-time positions

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- The subject business must make a private investment of at least \$3,000,000
- The subject business must provide a post-probationary wage of at least 1.5 times the minimum wage for 90% of all new employees and provide an employment benefits package that includes, at a minimum, basic medical coverage and insurance (of which at least 50% is employer-paid), to all employees. The post probationary period must not exceed six months.

Assistance Parameters

For all businesses, the following conditions apply:

- VCDBG assistance for off-site improvements is eligible for no more than 50 percent of the total project costs.
- Local financial participation must total at least 50 percent of the VCDBG eligible costs. Administrative costs may not be included as part of the local financial participation.
- Non-local public funding investment must be no more \$10,000 per job to be created. Loans to local governments from other public sources with specific repayment requirements are regarded as local funds.
- No VCDBG assistance is available for on-site improvements.

Industry Commitment

All CED proposals must include an industry commitment letter. Such a letter serves as documentation of the industrial commitment that provides the basis for project eligibility. A commitment letter must include the following:

- The need for the improvements which the locality will implement using VCDBG funding;
- The commitment of the business to locating or expanding in the locality;
- The type and amount of the private investments;
- The number of jobs (LMI and total) to be created or retained by category;
- The timing of the investments and hiring;
- A summary of the wages and benefits to be provided;
- The plans for job training, if applicable; and,
- The plans for use of a single point of contact for screening applicants, if applicable, such as the Virginia Employment Commission;
- The comprehension and acceptance that a formal industry agreement must be signed to secure the commitments.
- For Community Economic Development Fund projects, these industry commitments must provide details on the accompanying benefits package.

Where appropriate, the industry should attach documentation to its letter supporting the figures detailed in the letter.

VCDBG Investment

VCDBG funding will only pay for improvements of a scope and scale consistent with identified needs. Improvements that will benefit future development are not eligible for VCDBG funding.

Sanctions

The Industry Agreement that will be executed between an assisted business and a locality will detail sanctions to be imposed if the assisted business fails to achieve its hiring, investment, or wage/benefit commitments. Failure to achieve hiring and investment commitments may result in DHCD recapturing all VCDBG funding from the locality. Failure to achieve wage/benefit commitments may result in VCDBG participation being limited to 50 percent of project costs up to \$350,000.

LMI Benefit

VCDBG eligibility in economic development projects is established by creating job opportunities for low- and moderate-income persons. There are two options for ensuring LMI benefit results from the job creation process. The first option is to employ LMI persons in at least 51 percent of the available positions. Under this option, the locality or assisted business will retain documentation of the income status of employees. The second option is to establish procedures to ensure that LMI persons will receive first consideration for employment. Under this option, the job qualifications must be limited to possession of a high school diploma or its equivalent. No special training should be required. A third-party, single point of contact for application screening, such as the Virginia Employment Commission, is typically utilized. This contact will maintain all LMI documentation. The employer must hire only those persons screened by this third party.

Job creation must occur within two years of the date of completion of the private investment. Additionally, the documentation of job creation, including jobs to LMI persons, may not conclude until the completion of the CDBG-funded construction activity or the achievement of the total job creation and 51% LMI benefit, as agreed to in the executed Industry Agreement, whichever is later. Private Investment must occur within 2 years of the commencement date of the CDBG contact with the locality. The job creation requirement will be incorporated into a formal agreement. A business that fails to meet the job requirements will be subject to a non-performance penalty as outlined in this agreement.

Piracy

VCDBG funds will not assist a Virginia firm to relocate from one locality to another locality unless the firm provides substantial evidence that it cannot continue to do business in the existing location due to inadequate facilities, that the firm is significantly expanding beyond the capabilities of the existing location, that the move to another location results in a net gain of permanent jobs for Virginia, and that the impacted local governments are aware of the need for relocation and concur with it. VCDBG assistance will not aid a non-Virginia firm in relocating to Virginia if the

relocation is likely to result in a significant loss of employment in the labor market from which the relocation occurs.

Ineligible Activities

The following activities are not eligible for VCDBG assistance:

- General promotion of the community as a whole;
- Assistance to professional sports teams;
- Assistance to privately-owned recreational facilities that serve a predominantly higher income clientele where the benefit to such clientele clearly outweighs employment or other benefits to low- and moderate-income persons;
- Acquisition of land for which no specific purpose has yet been identified;
- Additional assistance to a for-profit business while the business is the subject of unresolved findings of non-compliance from previous CDBG assistance;
- Assistance to facilitate the creation of gambling operations; and,
- Projects in which the cost to provide goods and services to LMI persons exceeds \$10,000 per LMI person.
- On-site assistance to prisons, colleges or state institutions.

On-Site Assistance

VCDBG funding is available for certain on-site improvements in support of a business creating jobs and completing private investment in an eligible locality. A locality seeking VCDBG funding for on-site assistance must coordinate completion of an Appropriate Determination package. To complete this package, a locality must obtain detailed information on the background, financial position, and local development plans of the business to be assisted. This package is submitted by DHCD to independent underwriters for review.

VCDBG on-site assistance is offered to localities in the form of a loan. The loan terms are established by the independent underwriters. A locality receiving VCDBG funding for on-site improvements must repay DHCD in accordance with the established terms. There are no circumstances under which DHCD will waive this repayment. The locality is responsible, in turn, to make the VCDBG assistance available as a loan to the assisted business and to arrange with the assisted business to make regular payments.

VCDBG funding cannot be used to develop infrastructure in a privately-owned industrial park.

Appropriate Determination

On-site improvements are subject to underwriting because VCDBG funds, which are public funds, must not be used to replace any form of financing that either could be or already has been secured at terms and conditions that make the project feasible. The underwriting is to determine if the use of VCDBG funds in a project is appropriate

for the anticipated level of public benefits and includes a financial analysis of the business. An Appropriate Determination package is available from DHCD that outlines the type of information required from the business to complete underwriting. Applicants must prepare a response to this package and submit it to DHCD approximately one month before completion of a CED proposal.

Loan Guarantees

Localities interested in loan guarantees in support of economic development should contact DHCD for additional information.

CDBG Open Contract Limit

A locality that is in a position to apply for a critical Community Economic Development project and is currently at or near the \$2.5 million limit MAY, at DHCD's discretion, be granted a temporary waiver of the cap limit. The locality should contact DHCD to discuss a possible waiver prior to submittal of the proposal. If the waiver is approved, the Urgent Need or Community Economic Development funds will count towards the cap limit once other CDBG projects are closed.

Unobligated CED funds may be used at any point during the Program Year to provide additional funds for the Community Economic Development program.

URGENT NEED OPEN SUBMISSION GRANTS

VCDBG funding is available to eligible localities on an open submission basis to enable prompt response to existing serious and immediate threats to local health and safety. Projects are intended to primarily benefit low- and moderate- income persons. Up to \$700,000 of VCDBG funding is available per project. Urgent Need Open Submission (UNOS) proposals will be accepted between January 2, 2006 and October 31, 2006.

All UNOS proposals and activities must meet the following thresholds:

- The proposed project must alleviate existing conditions that pose a serious and immediate threat to the health and welfare of the community; and,
- The conditions developed or became urgent within 18 months of the date the proposal is submitted; and,
- The applicant locality is unable to finance the project on its own, no other funding is available to address the problem, and the VCDBG funding will be directly targeted towards the alleviation of the threatening conditions; and,
- The threat must be supported by either:

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A current declaration of an emergency by the Governor of Virginia relative to a flood, a hurricane, a tornado, an earthquake, or other disaster event, not including droughts, snow, or ice conditions.

OR

A current declaration of an immediate and severe health threat by the State Commissioner of Health relative to the complete failure of a public water or sewer system or incident of similar significance.

VCDBG assistance will generally be made available to projects consisting of activities in support of long-term recovery. VCDBG assistance will generally not be made available to projects with public facility failures resulting from neglected maintenance by a locality.

Localities interested in UNOS assistance should contact DHCD to discuss project eligibility.

A locality that is in a position to apply for a critical Urgent Need Open Submission project and is currently at or near the \$2.5 million limit MAY, at DHCD's discretion, receive a temporary waiver of the cap limit. The locality should contact DHCD to discuss a possible waiver prior to submittal of the proposal. If the waiver is approved, the Urgent Need or Community Economic Development funds will count towards the cap limit once other CDBG projects are closed.

Unobligated Urgent Need Open Submission funds may, at any point during the Program Year, be used to provide additional funds for the Community Economic Development program.

H. PROGRAM MONITORING

The Department provides compliance monitoring through the Divisions responsible for administration of each program covered by the current Action Plan. The Consolidated Plan provides a general description of the monitoring tools and systems available during the life of the Plan. Although the Department may experience personnel and organization changes following adoption of the Plan, the basic compliance monitoring methods and procedures that will be used during the coming program year will continue to be followed.

CDBG

The Project Management Office of the Community Development Division will continue to carry out the primary monitoring and compliance assurance activities for CDBG. It relies on several management tools, technical assistance, reporting, and compliance reviews to assure that the program's regulatory requirements will be met.

The Community Improvement Grant Management Manual gives grantees the necessary procedures, verbatim texts of required documents, and examples illustrating proper implementing actions. DHCD will continue to provide many training workshops across the Commonwealth to supplement the Manual. By increasing grantees' knowledge and skills of project management, construction management, labor standards, fair housing, financial management, and housing rehabilitation, the Department expects to reduce errors and increase the prospects for the successful completion of projects. Various personnel within the Office have designated roles relating to compliance. The broadest responsibilities lie with the Associate Director and the Program Managers. Community representatives serve as first line contacts with grantees—providing direct technical assistance as needed and also project monitoring. Finally, the financial analyst assigned to the program assures fund accountability while providing technical assistance for financial management, audit control, and management.

DHCD uses Site visits and in-house consultations as the primary means to provide technical assistance. Site visits emphasizing informal assistance and guidance continue throughout the life of the project. Their timing and frequency generally reflect the progress and specific needs of the individual project. Grantees may receive additional assistance from staff in the Richmond and Abingdon offices at any time, though questions or concerns about an individual grant are normally referred initially to the community representative.

The Department uses progress reports and project close out reports to document the progress and completion of individual projects. Periodic status reports and annual budget reports for each project insure that DHCD and the grantee are fully aware of their current fiscal and programmatic status. Close out reports, which include

separate elements for finance, program income, project leveraging, construction, and final evaluations, document project closure.

Project compliance reviews typically occur when a project is approximately 85 percent drawn down. The agency's financial analyst conducts the initial financial compliance review. The financial compliance review resembles an audit in the scope of its coverage. Compliance reviews are formal as opposed to informal events and encompass the full range of requirements (e.g., citizen participation, environmental compliance, financial management, et al.) for which grantees may be responsible according to program requirements.

DHCD will document nonconformities, if any, in specific program areas, note concerns about areas that could lead to a finding of nonconformity if left uncorrected, and provide recommendations about areas where program management could be improved. The agency's goal is to minimize findings of nonconformity during the year by relying on the other compliance methods discussed above to identify and correct problems before a finding is necessary.

Housing Programs (ESG, HOME, HOPWA)

The Division of Housing will continue to administer the HOME, HOPWA, and ESG programs for this fiscal year. Similar techniques will be applied to performance monitoring and compliance review for each program. Overall, the Division employs ongoing program and project reviews and technical assistance to assure both the effectiveness and compliance of its housing programs. The Division has also increased the use of risk assessments to identify those program areas or projects where problems are most likely to be encountered. If necessary, available monitoring and compliance resources can be concentrated on projects or programs that exhibit greater potential for falling out of compliance. Because some multifamily rental and first-time homeowner programs require compliance over an extended period, DHCD has entered into formal arrangements with the Virginia Housing Development Authority (VHDA), the manager for loans in these program areas, to assure that they monitor longer term compliance.

Project review is usually conducted on a day-to-day basis through communications with project sponsors and subrecipients. This establishes the primary means for providing the technical assistance necessary to assure compliance. Monitoring visits will be conducted for the three programs being administered by the Division of Housing. The specific areas subject to review during a visit include administrative requirements relating to budgeting, the management plan, reporting, record keeping, etc., and programmatic requirements relating to the actual management of the project. The latter includes a review of contract documents, management responsibilities/structure of the responsible agent, and the records or reports for housing standards, environmental standards, construction reports, certificates of occupancy, and project close out documentation.

The responsible administrator for the Division will contact the sponsor, subrecipient, or grantee before the visit to establish the time, place, and circumstance of the visit. During the review, the administrator may provide assistance or advice relating to administrative or programmatic requirements. An exit interview will provide the local sponsor or grantee with a preliminary assessment.

More detailed information will be provided in a subsequent written communication. The letter may document *concerns* or *findings*. For concerns, the administrator will include recommendations for overcoming the particular circumstances. However, if there is a finding, the administrator will provide required corrective actions, following up through either a review of documentation or a site visit.

These site visits create opportunities to extend the Division's training activities to the sites of specific projects, while also assuring the overall integrity of the program through compliance review.

Strategic Planning

DHCD's ongoing strategic planning activities also provide a means for assuring that Department remains focused on the priorities identified in the Consolidated Plan as it develops its annual budget and legislative packages. The Department strategic planning, like that of other state agencies, is intended to provide that all the Department's priorities—including those identified in the Consolidated Plan—are addressed and that opportunities for collaboration across organizational lines are identified. Work plans for the individual offices within DHCD's operating divisions provide the basis for carrying out activities essential to meeting these goals and objectives.

APPENDIX A – Indoor Plumbing Rehabilitation Program

Indoor Plumbing Rehabilitation Program Eligible Localities					
Cities	Counties				
Bedford	Accomack	Charlotte	Greensville	Middlesex	Rockbridge
Buena Vista	Albemarle	Clarke	Halifax	Montgomery	Rockingham
Covington	Alleghany	Craig	Hanover	Nelson	Russell
Emporia	Amelia	Culpeper	Henry	New Kent	Scott
Franklin	Amherst	Cumberland	Highland	Northampton	Shenandoah
Galax	Appomattox	Dickenson	Isle of Wight	Northumberland	Smyth
Harrisonburg	Augusta	Dinwiddie	James City County	Nottoway	Southampton
Lexington	Bath	Essex	King and Queen	Orange	Spotsylvania
Martinsville	Bedford	<u>Fauquier</u>	King George	Page	Stafford
Norton	Bland	Floyd	King William	Patrick	Surry
Poquoson	Botetourt	Fluvanna	Lancaster	Pittsylvania	Sussex
Radford	Brunswick	Franklin	Lee	Powhatan	Tazewell
Salem	Buchanan	Frederick	<u>Loudoun</u>	Prince Edward	Warren
Staunton	Buckingham	Giles	Louisa	Prince George	Washington
Waynesboro	Campbell	Gloucester	Lunenburg	Pulaski	Westmoreland
Williamsburg	Caroline	Goochland	Madison	Rappahannock	Wise
Winchester	<u>Carroll</u>	Grayson	Mathews	Richmond	Wythe
	Charles City	Greene	Mecklenburg	Roanoke	<u>York</u>

APPENDIX A – Indoor Plumbing Rehabilitation Program

Indoor Plumbing Rehabilitation Program Eligible Localities						
Towns						
Abingdon	Cape Charles	Dillwyn	Hillsboro	Mineral	Rich Creek	Timberville
Accomack	Capron	Drakes Branch	Hillsville	Monterey	Richlands	Toms Brook
Alberta	Cedar Bluff	Dublin	Honaker	Montross	Ridgeway	Troutdale
Alta Vista	Charlotte Court House	Duffield	Hurt	Mount Jackson	Rocky Mount	Troutville
Amherst	Chase City	Dungannon	Independence	Mount Crawford	Round Hill	Urbanna
Appalachia	Chatham	Eastville	Iron Gate	Narrows	Rural Retreat	Victoria
Appomattox	Cheriton	Edinburg	Irvington	Nassawaddox	Saltville	Vinton
Ashland	Chilhowie	Elkton	Ivor	New Castle	Saxis	Virgilina
Belle Haven	Chincoteague	Exmore	Jarratt	New Market	Scottsburg	Wachapreague
Berryville	Christiansburg	Farmville	Jonesville	Newsoms	Scottsville	Wakefield
Big Stone Gap	Claremont	Fincastle	Keller	Nickelsville	Shenandoah	Warrenton
Blacksburg	Clarksville	Floyd	Kenbridge	Onancock	Smithfield	Warsaw
Blackstone	Cleveland	Fries	Keysville	Onley	South Boston	Washington
Bloxom	Clifton Forge	Front Royal	Kilmarnock	Orange	South Hill	Waverly
Bluefield	Clinchco	Gate City	La Crosse	Painter	St. Charles	Weber City
Boones Mill	Clinchport	Glade Spring	Lawrenceville	Pamplin City	St. Paul	West Point
Bowling Green	Clintwood	Glasgow	Lebanon	Parksley	Stanardsville	White Stone
Boyce	Coeburn	Glen Lyn	Leesburg	Pearisburg	Stanley	Windsor
Boydton	Colonial Beach	Gordonsville	Louisa	Pembroke	Stephens City	Wise
Boykins	Columbia	Goshen	Lovettsville	Pennington Gap	Stony Creek	Woodstock
Branchville	Courtland	Gretna	Luray	Phenix	Strasburg	Wytheville
Bridgewater	Craigsville	Grottoes	Madison	Pocahontas	Stuart	
Broadway	Crewe	Grundy	Marion	Port Royal	Surry	
Brodnax	Culpeper	Halifax	McKenney	Pound	Tangier	
Brookneal	Damascus	Hallwood	Melfa	Pulaski	Tappahannock	
Buchanan	Dayton	Hamilton	Middleburg	Purcellville	Tazewell	
Burkeville	Dendron	Haysi	Middletown	Remington	The Plains	

APPENDIX A – Indoor Plumbing Rehabilitation Program

Subrecipient Name	Localities Represented	Contact	Telephone Number
<i>Accomack-Northampton HRC</i>	Accomack County Northampton County	John Aigner	757-787-2936
<i>Albemarle Housing Improvement Program</i>	Albemarle County Greene County	Jane Andrews	434-817-2447
<i>Alleghany County</i>	Alleghany County	Tammy Stephenson	540-863-6600
<i>Lee County RHA</i>	Lee County	Scott Napier	276-346-3910
<i>Covington RHA</i>	City of Covington	Kathy Smith	540-962-1114
<i>Lynchburg Community Action Group</i>	Amherst County Appomattox County Bedford County Campbell County	Thomas Daniel	434-846-2778
<i>Charles City County</i>	Charles City County	John Bragg	804-829-9296
<i>Cumberland County Housing & Community Development Inc.</i>	Cumberland County	Pam Staton	804-492-5560
<i>Elderhomes, Inc.</i>	Hanover County	Yvonne Verno	804-233-2827
<i>Giles Co. Housing & Dev. Corp.</i>	Giles County	Ann Angert	540-921-2001
<i>James City County</i>	James City County	Rick Hanson	757-220-1272
<i>Fluvanna/Louisa County Housing Foundation.</i>	Louisa County Fluvanna County	Howard Evergreen	540-967-3483
<i>Halifax County Community Action Agency</i>	Halifax County Charlotte County	Fred Betts	434-575-7916

APPENDIX A – Indoor Plumbing Rehabilitation Program

Subrecipient Name	Localities Represented	Contact	Telephone Number
<i>Martinsville</i>	City of Martinsville	Wayne Knox	276-656-5169
<i>Mount Rogers PDC</i>	Smyth County Bland County	Scott Booth	276-783-5103
<i>Bay Aging</i>	Essex County Gloucester County King & Queen Co. King William County Mathews County Middlesex Co. Northumberland Co. Richmond County	Wayne Talley	804-758-2386
<i>PEOPLE, Inc.</i>	Washington County	David Adams	276-623-9000
<i>Telamon Corporation</i>	Lunenburg County	Carolyn Walker	434-447-2744
<i>Pittsylvania County Community Action Agency</i>	Pittsylvania County	Roslyn Preston	434-432-8024
<i>Powhatan-Goochland CAA</i>	Powhatan County Goochland County	Geri Venable	804-598-3351
Prince George County	Prince George County	Hampton Wade	804-733-2688
Loudoun County	Loudoun County	Cindy Mester	703-777-0389
Rapidan Better Housing	Culpeper County Madison County Orange County Rappahannock Co.	Michelene Hostetter	540-948-3274

APPENDIX A – Indoor Plumbing Rehabilitation Program

Subrecipient Name	Localities Represented	Contact	Telephone Number
<i>Central VA Housing Coalition</i>	Caroline County King George County Spotsylvania County Stafford County Fredericksburg City	Gary Parker	540-899-9644
<i>Quinn Rivers Agency for CA</i>	New Kent County	Keith Sherrill	804-966-5020
<i>RoofTop Community Action Program</i>	Grayson County Carroll	Terry Atwell	276-236-7131
<i>Rural Area Development Association</i>	Scott County Wise County	David Gilmer	276-386-6523
<i>Southside PDC</i>	Brunswick County Mecklenburg County	Gail Moody	434-447-7101
<i>STEP</i>	Patrick County	Sharon Lambert	540-483-5142
<i>STOP</i>	Isle of Wight County Suffolk City Southampton County City of Franklin	Tyrone Sessoms	757-855-6856
<i>Sussex County</i>	Sussex County	Brenda Drew	804-246-5511
<i>Total Action Against Poverty</i>	Botetourt County Craig County Roanoke County Rockbridge County	James Robinson	540-777-2777
<i>Nelson County Community Development Foundation</i>	Nelson County	Diane Harker	434-263-8074

APPENDIX A – Indoor Plumbing Rehabilitation Program

Subrecipient Name	Localities Represented	Contact	Telephone Number
<i>Southeast RCAP</i>	Buckingham County Clarke County Nottoway County Prince Edward County Pulaski County Wythe County	Mary Terry	540-345-1184
<i>Waynesboro RHA</i>	Augusta County Highland County Bath County Rockingham County	Jason Sams	540-946-9230
<i>Westmoreland Housing Coalition</i>	Westmoreland County	Barbara Camp	804-493-0613
<i>Fauquier Housing Corporation</i>	Fauquier County	Michelene Hostetter	540-341-2805
<i>Lancaster County</i>	Lancaster County	Marilyn Hollingsworth	804-462-5902
<i>Southside Outreach Group</i>	Henry County	Earl Howerton	434-572-9556
<i>Cumberland Plateau Regional HA</i>	Buchanan County Dickenson County Russell County	Pat Gray	276-889-4910
<i>Franklin County</i>	Franklin County	Patricia Foley	540-483-3027
<i>Amelia County</i>	Amelia County	Gladys Vassor	434-634-9043
<i>Housing Action-Northern Shenandoah Valley</i>	Frederick County	Bob Sager	540-545-8888

APPENDIX B – VCDBG Eligible Localities

CDBG Eligible Localities				
Cities	Counties			
Bedford	Accomack	Dickenson	Lancaster	Richmond
Buena Vista	Albemarle	Dinwiddie	Lee	Roanoke
Covington	Alleghany	Essex	Louisa	Rockbridge
Emporia	Amelia	Fauquier	Lunenburg	Rockingham
Franklin	Amherst	Floyd	Madison	Russell
Galax	Appomattox	Fluvanna	Mathews	<u>Scott</u>
Lexington	Augusta	Franklin	Mecklenburg	Shenandoah
Martinsville	Bath	Frederick	Middlesex	Smyth
Norton	Bedford	Giles	Montgomery	Southampton
Poquoson	Bland	Gloucester	Nelson	Spotsylvania
Salem	Botetourt	Goochland	New Kent	Stafford
Staunton	Brunswick	Grayson	Northampton	Surry
Waynesboro	Buchanan	Greene	Northumberland	Sussex
Williamsburg	Buckingham	Greensville	Nottoway	Tazewell
	Campbell	Halifax	Orange	Warren
	Caroline	Hanover	Page	Washington
	Carroll	Henry	Patrick	Westmoreland
	Charles City	Highland	Pittsylvania	Wise
	Charlotte	Isle of Wight	Powhatan	Wythe
	Clarke	James City County	Prince Edward	York
	Craig	King and Queen	Prince George	
	Culpeper	King George	Pulaski	
	Cumberland	King William	Rappahannock	

APPENDIX B – VCDBG Eligible Localities

CDBG Eligible Localities				
Towns				
Abingdon	Cleveland	Grundy	Narrows	St. Paul
Accomac	Clifton Forge	Halifax	Nassawaddox	Stanardsville
Alberta	Clinchco	Hallwood	New Castle	Stanley
Altavista	Clinchport	Hamilton	New Market	Stephens City
Amherst	Clintwood	Haysi	Newsoms	Stony Creek
Appalachia	Coeburn	Hillsboro	Nickelsville	Strasburg
Appomattox	Colonial Beach	Hillsville	Onancock	Stuart
Ashland	Columbia	Honaker	Onley	Surry
Belle Haven	Courtland	Hurt	Orange	Tangier
Berryville	Craigsville	Independence	Painter	Tappahannock
Big Stone Gap	Crewe	Iron Gate	Pamplin City	Tazewell
Blackstone	Culpeper	Irrington	Parksley	The Plains
Bloxom	Damascus	Ivor	Pearisburg	Timberville
Bluefield	Dayton	Jarratt	Pembroke	Toms Brook
Boones Mill	Dendron	Jonesville	Pennington Gap	Troutdale
Bowling Green	Dillwyn	Keller	Phenix	Troutville
Boyce	Drakes Branch	Kenbridge	Pocahontas	Urbanna
Boydton	Dublin	Keysville	Port Royal	Victoria
Boykins	Duffield	Kilmarnock	Pound	Vinton
Branchville	Dungannon	La Crosse	Pulaski	Virgilina
Bridgewater	Eastville	Lawrenceville	Purcellville	Wachapreague
Broadway	Edinburg	Lebanon	Remington	Wakefield
Brodnax	Elkton	Leesburg	Rich Creek	Warrenton
Brookneal	Exmore	Louisa	Richlands	Warsaw
Buchanan	Farmville	Lovettsville	Ridgeway	Washington
Burkeville	Fincastle	Luray	Rocky Mount	Waverly
Cape Charles	Floyd	Madison	Round Hill	Weber City
Capron	Fries	Marion	Rural Retreat	West Point
Cedar Bluff	Front Royal	McKenney	Saltville	White Stone
Charlotte Court House	Gate City	Melfa	Saxis	Windsor
Chase City	Glade Spring	Middleburg	Scottsburg	Wise
Chatham	Glasgow	Middletown	Scottsville	Woodstock
Cheriton	Glen Lyn	Mineral	Shenandoah	Wytheville
Chilhowie	Gordonsville	Monterey	Smithfield	
Chincoteague	Goshen	Montross	South Boston	
Claremont	Gretna	Mount Jackson	South Hill	
Clarksville	Grottoes	Mount Crawford	St. Charles	

Attachment 1

2006 CERTIFICATIONS

STATE CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

Affirmatively Further Fair Housing -- The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Drug Free Workplace -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about -
 - a. The dangers of drug abuse in the workplace;
 - b. The grantee's policy of maintaining a drug-free workplace;
 - c. Any available drug counseling, rehabilitation, and employee assistance programs; and
 - d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -
 - a. Abide by the terms of the statement; and

- b. Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- 5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
- 6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted -
 - a. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - b. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- 7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

Anti-Lobbying -- To the best of the State's knowledge and belief:

- 1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
- 2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and instructions; and
- 3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of State -- The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan -- The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.

_____	_____
Signature/Authorized Official	Date

Title

Specific CDBG Certifications

The State certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is or will be following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

Consultation with Local Governments -- It has or will comply with the following:

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

Local Needs Identification -- It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended. (See 24 CFR 570.2 and 24 CFR part 570)

Use of Funds -- It has complied with the following criteria:

1. **Maximum Feasible Priority.** With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. **Overall Benefit.** The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) 2005, 2006, and 2007 (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of

- low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;
3. **Special Assessments.** The state will require units of general local government that receive CDBG funds to certify to the following:

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force -- It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

Compliance With Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Compliance with Laws -- It will comply with applicable laws.

Signature/Authorized Official

Date

Title

Specific HOME Certifications

The State certifies that:

Tenant Based Rental Assistance -- If it intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the State's consolidated plan.

Eligible Activities and Costs -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR § 92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

Appropriate Financial Assistance -- Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing;

Signature/Authorized Official

Date

Title

ESG Certifications

The State seeking funds under the Emergency Shelter Program (ESG) certifies that it will ensure that its recipients of ESG funds comply with the following requirements:

Major rehabilitation/conversion -- In the case of major rehabilitation or conversion, it will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 10 years. If the rehabilitation is not major, the recipient will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 3 years.

Essential Services -- Where the assistance involves essential services or maintenance, operation, insurance, utilities and furnishings, it will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure as long as the same general population is served.

Renovation -- Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary.

Supportive Services -- It will assist homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living, and other Federal State, local, and private assistance for such individuals.

Matching Funds -- It will obtain matching amounts required under 24 CFR §576.71.

Confidentiality -- It will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project except with the written authorization of the person responsible for the operation of that shelter.

Homeless Persons Involvement -- To the maximum extent practicable, it will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program, in providing services assisted through this program, and in providing services for occupants of such facilities.

Consolidated Plan -- It is following a current HUD-approved Consolidated Plan or CHAS.

Discharge Policy -- *It has developed and implemented, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons.*

Signature/Authorized Official

Date

Title

HOPWA Certifications

The State HOPWA grantee certifies that:

Activities -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

Building -- Any building or structure assisted under the program shall be operated for the purpose specified in the plan:

1. For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,
2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.

Signature/Authorized Official

Date

Title

APPENDIX TO CERTIFICATIONS

INSTRUCTIONS CONCERNING LOBBYING AND DRUG-FREE WORKPLACE REQUIREMENTS:

A. Lobbying Certification

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

B. Drug-Free Workplace Certification

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.
2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. For grantees other than individuals, Alternate I applies. (This is the information to which jurisdictions certify).
4. For grantees who are individuals, Alternate II applies. (Not applicable jurisdictions.)
5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).
7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).

8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

***Virginia Department of Housing and Community Development
The Jackson Center
501 North Second Street
Richmond, VA 23219-1321***

Check_____ if there are workplaces on file that are not identified here.

The certification with regard to the drug-free workplace is required by 24 CFR part 24, subpart F.

9. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

"Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C.812) and as further defined by regulation (21 CFR 1308.11 through 1308.15);

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

"Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;

"Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All "direct charge" employees; (ii) all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and (iii) temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).

APPLICATION FOR FEDERAL ASSISTANCE

Version 7/03

1. TYPE OF SUBMISSION: Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		2. DATE SUBMITTED	Applicant Identifier	
Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		3. DATE RECEIVED BY STATE	State Application Identifier	
		4. DATE RECEIVED BY FEDERAL AGENCY	Federal Identifier B06DC510001	
5. APPLICANT INFORMATION				
Legal Name: Commonwealth of Virginia		Organizational Unit: Department: Department of Housing and Community Development		
Organizational DUNS: 809 391 881		Division:		
Address: Street: 501 North Second Street City: Richmond County:		Name and telephone number of person to be contacted on matters involving this application (give area code) Prefix: Mr. First Name: William Middle Name: J. Last Name: Ernst Suffix: III Email: bill.emst@dhcd.virginia.gov		
State: VA	Zip Code: 23219-1321			
Country: United States				
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 54-1083047		Phone Number (give area code) 804 371-7017		
		Fax Number (give area code) 804 371-7090		
8. TYPE OF APPLICATION: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) Other (specify)		7. TYPE OF APPLICANT: (See back of form for Application Types) A Other (specify)		
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: TITLE (Name of Program): 14-228		9. NAME OF FEDERAL AGENCY: Department of Housing and Urban Development		
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Statewide Non-entitlement Communities		11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Provide grants to units of general local government for economic development, housing, community service facilities, public facilities, and planning.		
13. PROPOSED PROJECT Start Date: 7/1/2006 Ending Date: 6/30/2007		14. CONGRESSIONAL DISTRICTS OF: a. Applicant N/A b. Project N/A		
15. ESTIMATED FUNDING:		16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?		
a. Federal	\$ 19,568,928 ⁰⁰	a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE:		
b. Applicant	\$ ⁰⁰	b. No. <input type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372		
c. State	\$ ⁰⁰	<input checked="" type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW		
d. Local	\$ ⁰⁰	17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?		
e. Other Returnd/Recaptured	\$ 530,390 ⁰⁰	<input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No		
f. Program Income	\$ 20,610 ⁰⁰			
g. TOTAL	\$ 20,119,928 ⁰⁰			
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.				
a. Authorized Representative				
Prefix Mr.	First Name William	Middle Name C.		
Last Name Shelton			Suffix	
b. Title Director, VA Dept. of Housing and Community Development		c. Telephone Number (give area code) 804 371-7077		
d. Signature of Authorized Representative		e. Date Signed		

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Standard Form 424 (Rev.9-2003)
Prescribed by OMB Circular A-102

**APPLICATION FOR
FEDERAL ASSISTANCE**

Version 7/03

1. TYPE OF SUBMISSION: Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		2. DATE SUBMITTED		Applicant Identifier	
Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		3. DATE RECEIVED BY STATE		State Application Identifier	
		4. DATE RECEIVED BY FEDERAL AGENCY		Federal Identifier M06DC510001	
5. APPLICANT INFORMATION					
Legal Name: Commonwealth of Virginia			Organizational Unit: Department: Department of Housing and Community Development		
Organizational DUNS: 809 391 881			Division:		
Address: Street: 501 North Second Street			Name and telephone number of person to be contacted on matters involving this application (give area code)		
City: Richmond			Prefix: Mr.		First Name: William
County: N/A			Middle Name J.		
State: VA			Last Name Ernst		
Zip Code 23219-1321			Suffix: III		
Country: United States			Email: bill.ernt@dhcd.virginia.gov		
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 54-1083047			Phone Number (give area code) 804 371-7017		Fax Number (give area code) 804 371-7090
8. TYPE OF APPLICATION: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) Other (specify) <input type="checkbox"/> <input type="checkbox"/>			7. TYPE OF APPLICANT: (See back of form for Application Types) A Other (specify)		
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: TITLE (Name of Program): HOME Investment Partnerships 14-239			11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Provide support for projects creating home ownership opportunities, preserving affordable housing, and promoting the creation of affordable housing opportunities.		
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Statewide			9. NAME OF FEDERAL AGENCY:		
13. PROPOSED PROJECT Start Date: 7/1/2006 Ending Date: 6/30/2006			14. CONGRESSIONAL DISTRICTS OF: a. Applicant N/A b. Project N/A		
15. ESTIMATED FUNDING:			16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?		
a. Federal	\$	14,519,314 ⁰⁰	a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE:		
b. Applicant	\$	⁰⁰	b. No. <input type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372		
c. State	\$	⁰⁰	<input checked="" type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW		
d. Local	\$	⁰⁰	17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?		
e. Other	\$	⁰⁰	<input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No		
f. Program Income	\$	300,000 ⁰⁰			
g. TOTAL	\$	14,518,314 ⁰⁰			
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.					
a. Authorized Representative					
Prefix Mr.		First Name William		Middle Name C.	
Last Name Shelton		Suffix			
b. Title Director, VA Dept. of Housing and Community Development				c. Telephone Number (give area code) 804 371-7077	
d. Signature of Authorized Representative				e. Date Signed	

APPLICATION FOR FEDERAL ASSISTANCE

Version 7/03

1. TYPE OF SUBMISSION: Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction	2. DATE SUBMITTED	Applicant Identifier
			3. DATE RECEIVED BY STATE	State Application Identifier
			4. DATE RECEIVED BY FEDERAL AGENCY	Federal Identifier S06DC510001
5. APPLICANT INFORMATION				
Legal Name: Commonwealth of Virginia			Organizational Unit: Department: Department of Housing and Community Development	
Organizational DUNS: 809 391 881			Division:	
Address: Street: 501 North Second Street			Name and telephone number of person to be contacted on matters involving this application (give area code)	
City: Richmond			Prefix: Mr.	First Name: William
County: N/A			Middle Name J.	
State: VA			Last Name Ernst	
Zip Code 23219-1321			Suffix: III	
Country: United States			Email: bill_ernst@dhsd.virginia.gov	
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 54-1083047			Phone Number (give area code) 804 371-7017	Fax Number (give area code) 804 371-7090
8. TYPE OF APPLICATION: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) Other (specify) <input type="checkbox"/> <input type="checkbox"/>			7. TYPE OF APPLICANT: (See back of form for Application Types) A Other (specify)	
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: 14-231 TITLE (Name of Program): Emergency Shelter Grants (ESG)			11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Provide support to service providers and local operators of emergency shelters, day shelters, and transitional housing facilities.	
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Statewide Non-entitlement Communities			9. NAME OF FEDERAL AGENCY:	
13. PROPOSED PROJECT Start Date: 7/1/2006 Ending Date: 6/30/2006			14. CONGRESSIONAL DISTRICTS OF: a. Applicant N/A b. Project N/A	
15. ESTIMATED FUNDING:			16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?	
a. Federal	\$	1,571,410 ⁰⁰	a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE:	
b. Applicant	\$	⁰⁰	b. No. <input type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372	
c. State	\$	⁰⁰	<input checked="" type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW	
d. Local	\$	⁰⁰	17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?	
e. Other	\$	⁰⁰	<input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No	
f. Program Income	\$	⁰⁰		
g. TOTAL	\$	1,571,410 ⁰⁰		
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.				
a. Authorized Representative				
Prefix Mr.	First Name William			Middle Name C.
Last Name Shelton				Suffix
b. Title Director, VA Dept. of Housing and Community Development				c. Telephone Number (give area code) 804 371-7077
d. Signature of Authorized Representative				e. Date Signed

**APPLICATION FOR
FEDERAL ASSISTANCE**

Version 7/03

1. TYPE OF SUBMISSION: Application <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction		2. DATE SUBMITTED	Applicant Identifier
Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		3. DATE RECEIVED BY STATE	State Application Identifier
		4. DATE RECEIVED BY FEDERAL AGENCY	Federal Identifier VA6H06F999
5. APPLICANT INFORMATION			
Legal Name: Commonwealth of Virginia		Organizational Unit: Department: Department of Housing and Community Development	
Organizational DUNS: 809 391 881		Division:	
Address: Street: 501 North Second Street		Name and telephone number of person to be contacted on matters involving this application (give area code) Prefix: Mr. First Name: William	
City: Richmond		Middle Name J.	
County:		Last Name Ernst	
State: VA	Zip Code 23219-1321	Suffix: III	
Country: United States		Email: bill.erst@dhcd.virginia.gov	
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 54-1083047		Phone Number (give area code) 804 371-7017	Fax Number (give area code) 804 371-7090
8. TYPE OF APPLICATION: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) Other (specify) <input type="checkbox"/> <input type="checkbox"/>		7. TYPE OF APPLICANT: (See back of form for Application Types) A Other (specify)	
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: 14-241 TITLE (Name of Program): Housing Opportunities for Persons with AIDS		9. NAME OF FEDERAL AGENCY:	
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.): Statewide Non-entitlement Communities		11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Provide support for the acquisition, rehabilitation, leasing, or operation of housing facilities, rental or mortgage assistance, utility payments, housing information, resource identification, and technical assistance to project sponsors.	
13. PROPOSED PROJECT Start Date: 7/01/2006 Ending Date: 6/30/2007		14. CONGRESSIONAL DISTRICTS OF: a. Applicant N/A b. Project N/A	
15. ESTIMATED FUNDING:		16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?	
a. Federal	\$ 618,000 ⁰⁰	a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE:	
b. Applicant	\$ ⁰⁰	b. No. <input type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372	
c. State	\$ ⁰⁰	<input checked="" type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW	
d. Local	\$ ⁰⁰	17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?	
e. Other	\$ ⁰⁰	<input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No	
f. Program Income	\$ ⁰⁰		
g. TOTAL	\$ 618,000 ⁰⁰		
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.			
a. Authorized Representative			
Prefix Mr.	First Name William	Middle Name C.	
Last Name Shelton		Suffix	
b. Title Director, VA Dept. of Housing and Community Development		c. Telephone Number (give area code) 804 371-7077	
d. Signature of Authorized Representative		e. Date Signed	